

Fighting Disease with Electronics



NIHON KOHDEN REPORT 2018



Profile

Nihon Kohden continues to create value for society by fighting disease and improving health with advanced technology.

Management Philosophy

We contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees.

Throughout our history, Nihon Kohden has always pursued solutions to healthcare challenges through innovative and high-quality medical devices with the aim of realizing our Management Philosophy.

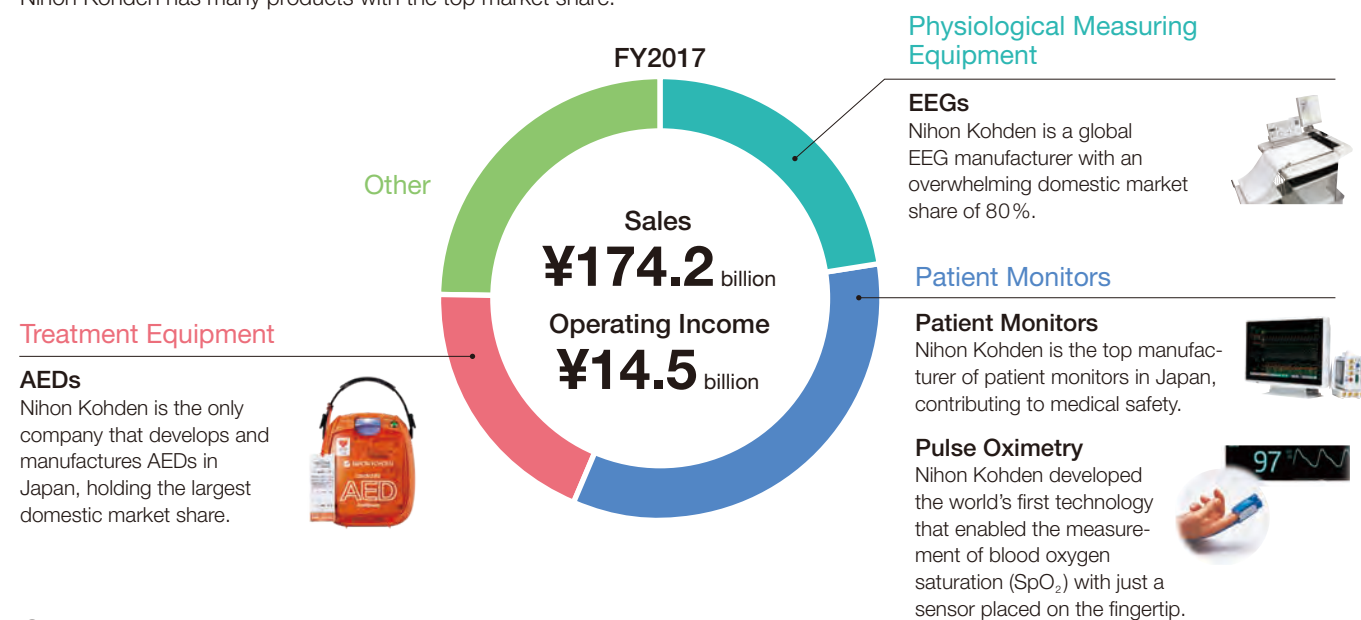
Our medical devices developed so far have been used in medical practice in more than 120 countries around the world to save many patients.

Now and in future, Nihon Kohden will continue to provide this value to medical professionals and patients by leveraging our core strengths of i) the capacity to develop technologies rooted in medical practice, ii) a broad clientele base inside and outside Japan, iii) high-quality products and services, and the development, production, sales, and service systems to support them, and iv) the strength of a brand cultivated over many years.

Core Strengths of Nihon Kohden

Nihon Kohden has many products with the top domestic market share.

Nihon Kohden has produced a number of innovative medical devices and technologies with its technological development capabilities rooted in medical practice. In part because of the strength of the Nihon Kohden brand, which we have built up over many years, Nihon Kohden has many products with the top market share.



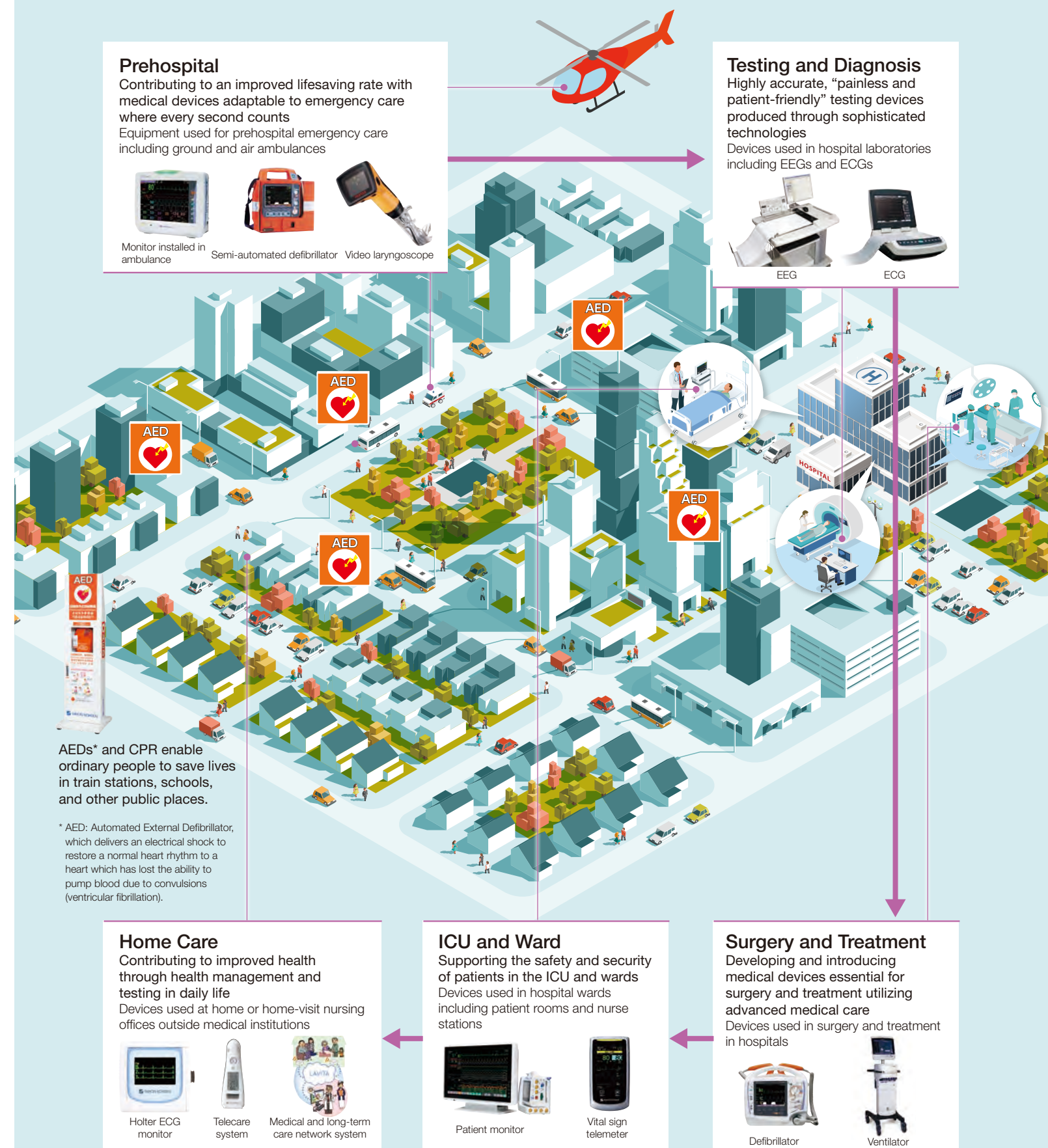
Contents

Corporate Value Creation Story	1
Profile	1
Trajectory of Nihon Kohden	3
Corporate Value Creation Model	5
Financial and Non-financial Summary ..	7
Management Strategy	11
Interview with the President	11
Global Business Strategy	14
Product Strategy	15

ESG Information	17
ESG Summary	17
Stakeholder Engagement	18
Enhancing Corporate Governance	19
Management Team	21
Message from Outside Directors	23
Ensuring Thorough Compliance	25
Strengthening Risk Management	27
Improving Safety and Security	29
Improving Quality, Accessibility, and Efficiency of Healthcare	30

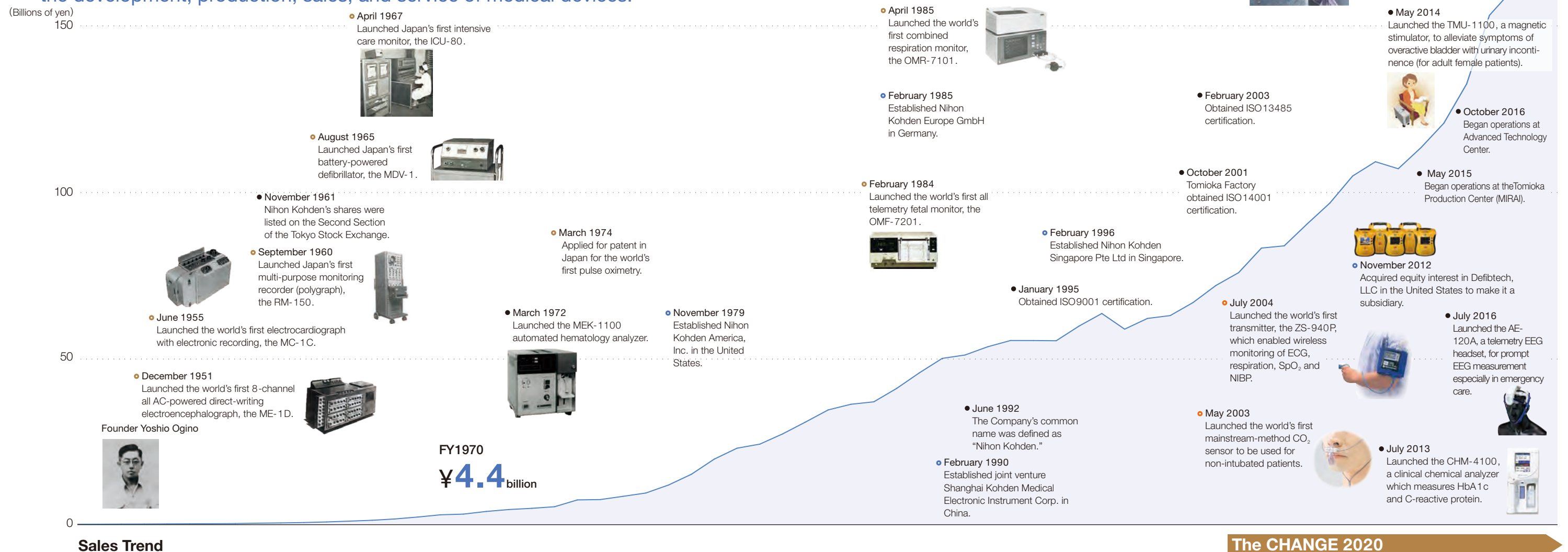
Ensuring Fair Trade Practices	31
Nihon Kohden's Contributions to the Community	32
Achieving a Fulfilling Workplace	33
Enhancing Information Disclosure and Shareholder Return	35
Environmental Philosophy and Policy	37
Environmentally Friendly Products	40
Financial and Corporate Data	41
Management's Discussion and Analysis	41
Company Information	43

Nihon Kohden's business and products are continuing to provide safety and security because of their total support for medical practice, including emergency care, testing, diagnosis, treatment, rehabilitation, and home care.



Trajectory of Nihon Kohden

Since its foundation in 1951, Nihon Kohden has grown steadily as well as assaulted the healthcare issues and contributed to society through the development, production, sales, and service of medical devices.



The CHANGE 2020



August **1951**

Established with the goal of combining medicine and engineering with just 12 employees

Established Nihon Kohden Corporation

Founder Yoshio Ogino established Nihon Kohden driven by the strong desire to save lives by researching the connection between medicine and engineering. Under the founding philosophy "curing disease is something that transcends politics and national borders, and we will never have any regret putting all our energy into this goal," Nihon Kohden remains committed to technological development rooted in medical practice.



March **1974**

Pulse oximetry utilized in medical practice around the world

Applied for national patent for the principle of pulse oximetry

In 1974, Nihon Kohden developed the principle of pulse oximetry that enables the measurement of arterial blood oxygen saturation (SpO₂) with just a sensor placed on the fingertip or earlobe, and launched the world's first product the next year. This breakthrough technology, which enables pain-free, real-time, and continuous measurement, is now actively utilized around the world in various settings including accident prevention during surgery and in neonatal care.



June **2009**

As the sole manufacturer of domestically produced AEDs, Nihon Kohden has been dedicated to the promotion of CPR and installation of AEDs

Launched Japan's first automated external defibrillator, the AED-2100. Nihon Kohden began offering CPR and AED workshops to the public when the use of AEDs by the general public was authorized in Japan in July 2004. The number of AEDs shipped by Nihon Kohden has exceeded 450,000 units, and the number of lives saved by defibrillation using AEDs has been steadily increasing.



April **2010**

Change medical practice as a global leader

Nihon Kohden established the Long-term Vision for 2020 in which the envisioned corporate status for 2020 is to i) lead the world in the development of revolutionary breakthrough technology, ii) achieve the highest level of quality in the world, and iii) attain the top share in applicable global markets.

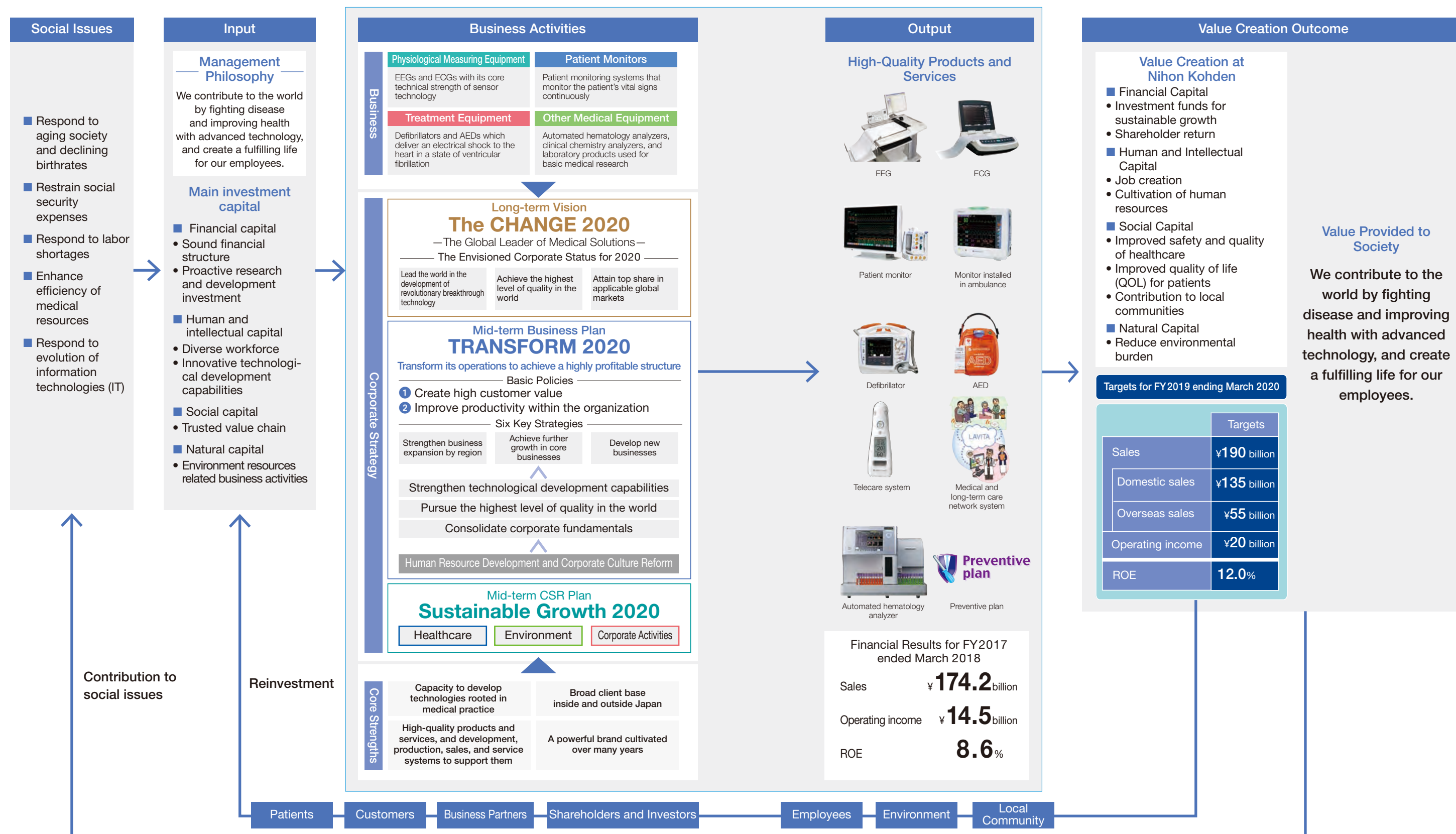
Long-term Vision The CHANGE 2020

— The Global Leader of Medical Solutions —
 — The Envisioned Corporate Status for 2020 —

- Lead the world in the development of revolutionary breakthrough technology
- Achieve the highest level of quality in the world
- Attain top share in applicable global markets

Corporate Value Creation Model

Through its business activities, which are based on its Management Philosophy, Nihon Kohden is working to address social issues and offer value to society as well as attain sustainable development and enhance the corporate value of the Group.



Financial and Non-financial Summary

Mid-term Business Plan	April 2010 to March 2020										
	Long-term Vision					The CHANGE 2020					
	April 2007	April 2010				April 2013				April 2017	
	SPEED UP II	SPEED UP III				Strong Growth 2017				TRANSFORM 2020	
Fiscal year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business results											
Net sales	104,825	109,123	107,013	113,380	120,718	132,538	153,194	160,803	165,522	166,285	174,249
Operating income	9,817	8,106	9,321	10,598	12,027	13,484	17,547	15,921	16,438	13,585	14,517
Income attributable to owners of parent ^{*1}	5,631	4,610	5,917	6,573	7,621	9,151	12,346	11,142	10,516	9,149	9,154
Financial position											
Current assets	63,718	61,470	69,685	75,366	82,742	95,181	106,515	118,389	112,929	119,235	124,601
Current liabilities	28,242	26,277	29,722	29,673	30,714	39,028	41,248	45,654	42,901	45,006	44,605
Total assets	80,630	80,479	88,000	92,495	99,403	116,800	130,917	146,755	144,270	152,806	157,941
Net assets	51,814	53,569	57,949	62,294	67,911	76,256	88,512	99,304	97,671	103,887	109,355
Cash flows											
Cash flows from operating activities	8,621	4,123	10,679	5,892	7,559	13,189	9,383	12,505	10,765	11,356	10,843
Cash flows from investing activities	(2,857)	(5,968)	(2,810)	(1,874)	(2,338)	(6,959)	(4,421)	(4,689)	(7,802)	(6,344)	(3,346)
Free cash flow	5,764	(1,844)	7,869	4,018	5,220	6,229	4,962	7,815	2,962	5,011	7,497
Cash flow from financing activities	(2,887)	(601)	(2,850)	(1,536)	(2,726)	(1,174)	(3,436)	(3,267)	(9,488)	(3,517)	(4,628)
Cash and cash equivalents	13,797	11,197	16,331	18,808	21,304	26,683	28,808	34,113	27,283	28,560	31,285
Per share information											
Net income (Yen) ^{*2}	128.01	104.94	134.68	149.62	173.49	208.31	281.03	126.83	120.12	106.81	106.92
Dividends (Yen) ^{*3}	37.0	37.0	37.0	44.0	44.0	52.0	70.0	70.0	35.0	35.0	35.0
Other											
R&D costs	4,662	4,656	4,418	5,105	5,583	6,424	7,108	5,745	5,910	6,466	7,226
Number of employees (Persons)	3,367	3,552	3,588	3,776	4,057	4,360	4,495	4,616	4,776	4,934	5,031
Number of shares outstanding at end of year (Thousands of shares) ^{*4}	45,765	45,765	45,765	45,765	45,765	45,765	45,765	45,765	89,730	89,730	89,730
Key performance indicators											
ROE (%)	11.3	8.8	10.6	10.9	11.7	12.7	15.0	11.9	10.7	9.1	8.6
Operating income margin (%)	9.4	7.4	8.7	9.3	10.0	10.2	11.5	9.9	9.9	8.2	8.3
Dividend payout ratio (%)	28.9	35.3	27.5	29.4	25.4	25.0	24.9	27.6	29.1	32.8	32.7

*1 The figures for FY2014 or earlier periods represent net income.

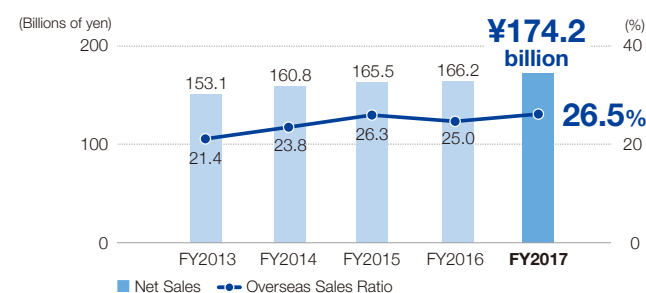
*2 Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.

*3 Effective April 1, 2015, each share of common stock was split into two shares. The figures for FY2014 or earlier periods represent dividends per share based on the number of shares before the said stock split.

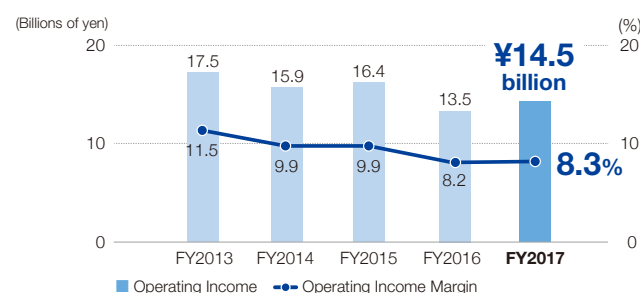
*4 Effective April 1, 2015, each share of common stock was split into two shares.

Financial and Non-financial Summary

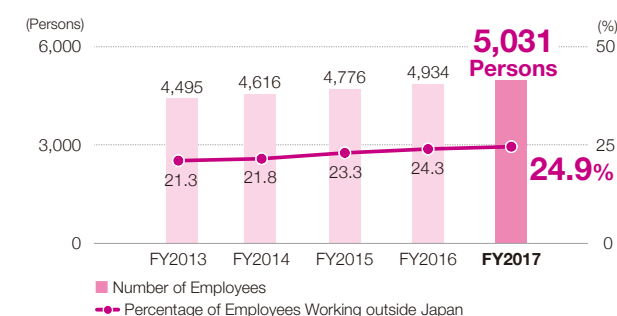
Net Sales/Overseas Sales Ratio



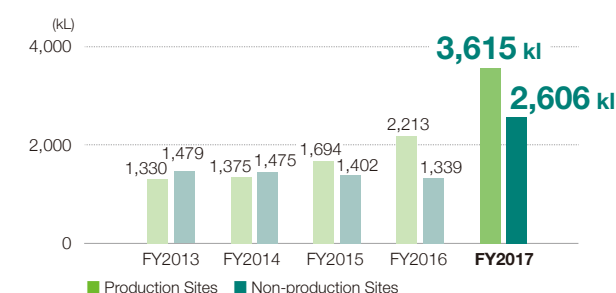
Operating Income/Operating Income Margin



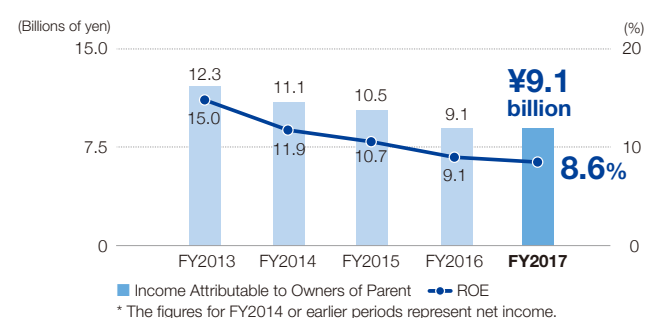
Number of Employees/Percentage of Employees Working outside Japan



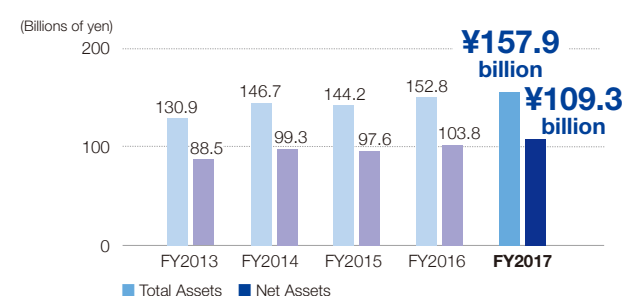
Total Energy Consumption (Barrels of oil equivalent (BOE))



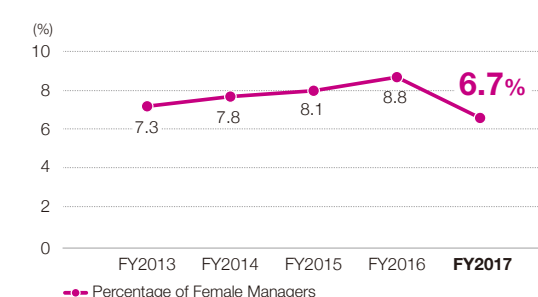
Income Attributable to Owners of Parent/ROE



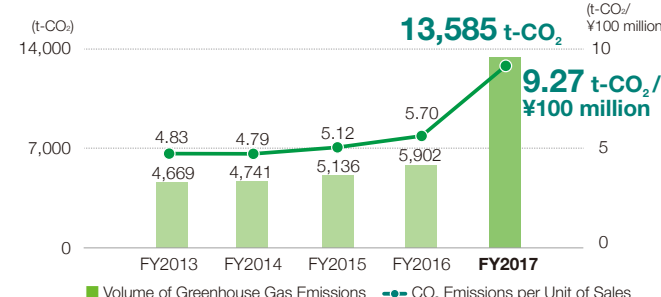
Total Assets/Net Assets



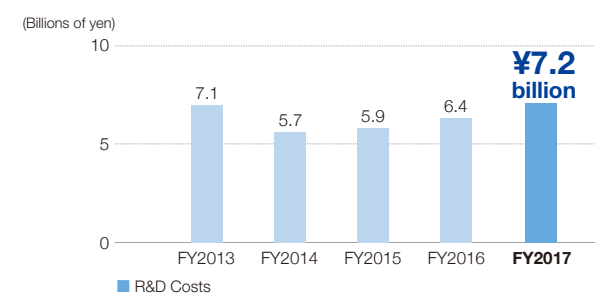
Percentage of Female Managers



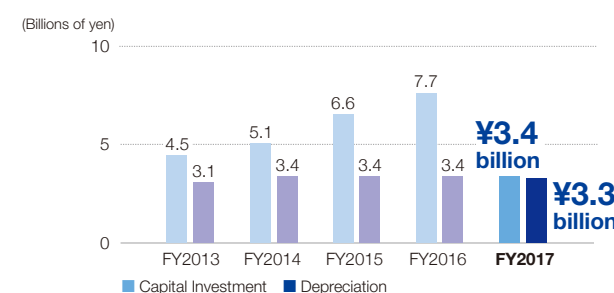
Volume of Greenhouse Gas Emissions/CO₂ Emissions per Unit of Sales



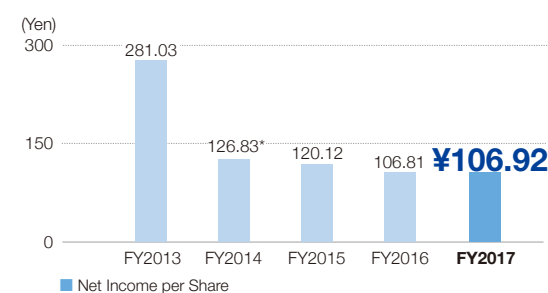
R&D Costs



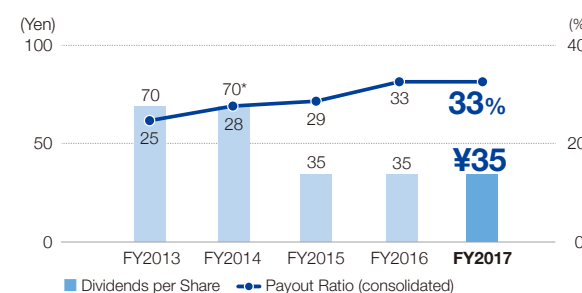
Capital Investment/Depreciation



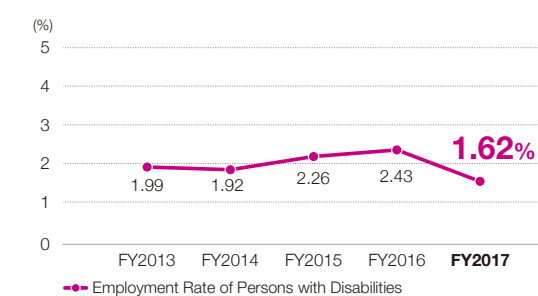
Net Income per Share



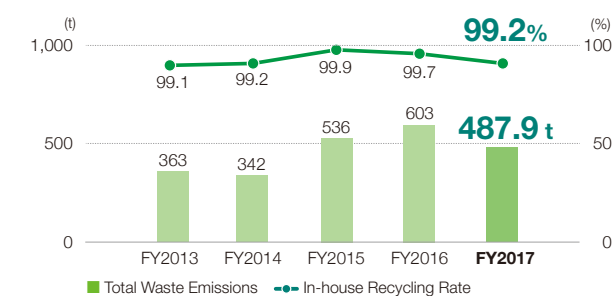
Dividends per Share and Payout Ratio (consolidated)



Employment Rate of Persons with Disabilities



Total Waste Emissions/In-house Recycling Rate



* Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* Effective April 1, 2015, each share of common stock was split into two shares. Dividends per share from FY2013 to FY2014 were actual payment amounts.

* The ratio of female managers and employment rate of persons with disabilities are non-consolidated Nihon Kohden figures. Nihon Kohden absorbed and merged 11 domestic sales subsidiaries in April 2017.

* Beginning with FY2017, the figures for Total Energy Consumption and Volume of Greenhouse Gas Emissions/CO₂ Emissions per Unit of Sales include five sites that have obtained ISO14001 certification, eleven sales branches, and Group companies in Japan.

* The figures Total Waste Emissions/In-house Recycling Rate include five sites that have obtained ISO14001 certification.

Interview with the President



By strengthening initiatives in the Mid-term Business Plan, TRANSFORM 2020, we will transform operations to achieve a highly profitable structure.

Hirokazu Ogino
Representative Director, President and CEO

Q Please outline the Japanese and overseas market environment for Nihon Kohden.

In Japan, to cope with the 2025 problem where the Japanese baby-boomer generation will be over 75 years old, the government is promoting integrated reform of medical care and nursing care. In each prefectural and city government, the work is already under way to determine how to allocate beds for each hospitalization phase—acute, rehabilitation, and long-term care. In acute-care hospitals, advanced medical facilities are required for efficiency, and the replacement of equipment, which had been introduced through the Regional Medical Care Revival Fund, has begun. Also, in small to medium-sized hospitals responsible for the rehabilitation and long-term care phases of hospitalization, demand is expected to increase for devices such as patient monitors as a direct result of increasing the number of beds.

Overseas demand for medical equipment is expected to remain steady overall due to an increase in population. Market centers are shifting from developed countries to emerging economies, especially with the growth of emerging markets such as China, India, and Africa. We will strengthen our sales and R&D functions in the United States, the world's largest and most-advanced medical equipment market, to further enhance our overall presence. We will also, taking a global perspective, facilitate a necessary strengthening of our strategy for emerging markets in areas such as development, production, and logistics.

Q How is the Mid-term Business Plan, TRANSFORM 2020, progressing?

In our three-year Mid-term Business Plan, TRANSFORM 2020, beginning from April 2017, we are focusing on achieving a transformation to a highly profitable business structure toward 2020 or soon thereafter, through creating high customer value and improving productivity within the organization.

First, to create high customer value, we consider it essential to develop high-value-added products by maximizing our core Human Machine Interface* technologies.

In March 2018, we launched a key product, the medium-sized model of the bedside monitor CSM-1500 series. We are also working on strengthening our consumables and maintenance service business as recurring business, leading to secure and stable revenue.

Second, to improve productivity within the organization, we are promoting the reform of the global production and distribution system. We are working on improving production efficiency and greater cost reductions by making the maximum use of the Tomioka Production Center as well as strengthening the global supply chain. Moreover, to introduce highly competitive products to the market in a timely manner, the further enhancement of our development efficiency is necessary. The Advanced Technology Center was established in 2016 and our development bases that had formerly been dispersed have now been brought together in one place with a world-class test facility. Now, we cannot only centralize all of our development processes, but also promote collaboration between technology departments, and the development of new products that integrate core technologies.

Furthermore, in order to improve our operational efficiency across the entire organization, we are initiating a process of business reform using ICTs such as ERP and CRM. Since we integrated our domestic sales subsidiaries into our headquarters in April 2017, we are promoting consolidation and standardization of operations, and are enhancing operational efficiency.

* Human Machine Interface is the user interface that connects human and machine. For Nihon Kohden, this refers to sensor technology, signal processing technology, and data analysis technology.

Mid-term Business Plan



Q Can you please elaborate on the next phase of implementation for the Mid-term Business Plan, TRANSFORM 2020?

In FY2018, we enter the second year of the Mid-term Business Plan, TRANSFORM 2020, and we will further strengthen our efforts toward transformation to a highly profitable business structure and gain a strong foothold for growth after 2020. Specifically, we will focus on improving the gross margin, which is the source of earnings. First, we will expand the lineup of medium-sized and general-purpose bedside monitor models to drive growth. Furthermore, we plan to launch our first ventilator and anesthesia machine to the market. Also, as a means to strengthen our consumables business in

overseas markets, we are reducing costs by automating production, improving the price competitiveness of those consumables. For the strategic sales expansion of these new products, we will also strengthen our sales structure. In Japan, we put more sales resources into the Tokyo metropolitan area where demand for medical care is increasing. And, finally, to enhance sales development in emerging markets, we have the newly formed International Sales Management Operations Department, which has jurisdiction over Latin America, Asia, the Middle East, and Africa.

Q How is Nihon Kohden addressing social issues through CSR?

Over recent years, Nihon Kohden's business environment has been undergoing a drastic change. We have been called upon to respond to change across a range of areas, including serious environmental issues, an aging society and a declining birthrate in advanced countries, and intensifying global competition. In such an age of upheaval, we have taken a wide range of initiatives across three key fields, Healthcare, Environment, and Corporate Activities, as outlined in our Mid-term CSR Plan, Sustainable Growth 2020, to ensure sustainable growth and enhanced corporate value.

Through our healthcare initiatives, we not only offer quality products and services that contribute to improving quality of medical care and ensuring safe and secure medical care throughout the care cycle, but also are involved in activities to widely disseminate Basic Life Support using AEDs (automated external defibrillators) both domestically and overseas. For example, at the Tokyo Marathon 2018, held in February, we acted as an official supporting partner for life-saving by making available 96 AEDs and 73 employee volunteers. On the day of the event, two AEDs were called on to administer aid, and, in one of these cases, our employee volunteers performed CPR (cardiopulmonary resuscitation) to assist in saving a life.

Our environmental initiatives target long-term environmental goals to reduce carbon dioxide emissions in line with the

Paris Agreement. To achieve this, we are targeting reductions from FY2013 levels of 12% by FY2020, 26% by FY2030, and 80% by FY2050, which we will achieve by offering environmentally friendly products and promoting cooperation across our supply chain.

In the area of corporate activities, Nihon Kohden has adopted a Company with an Audit & Supervisory Committee structure in 2016 and newly created a Nomination and Remuneration Committee to further enhance corporate governance. From June 2018, one-third of the Board of Directors are independent outside directors. Along with moves to expand our business globally, we are placing increasing importance on compliance initiatives. In 2017, in tandem with establishing our Anti-corruption Rules across the entire Nihon Kohden Group, we also introduced a global compliance program. Furthermore, to improve the work-life balance of our employees and enhance productivity, we are aggressively implementing Work Style Reforms. For example, we are introducing a flextime system and a work at home system to enable greater efficiency and flexibility in work styles.

In July 2015, we signed the United Nations Global Compact to cement our commitment to a sustainable society through the promotion of initiatives in accordance with the Ten Principles of the United Nations Global Compact in the four areas of human rights, labor, the environment, and anti-corruption.

Q Do you have any final words for your stakeholders?

Since Nihon Kohden was established in 1951, we have contributed to medical practices throughout the world, offering a large number of cutting-edge, high-quality medical devices, and, as a manufacturer of medical electronic equipment, we have worked toward realizing our Management Philosophy of "We contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees."

To enable us to assist in saving the lives of as many patients as possible, we are targeting improved corporate governance and enhancing the soundness, transparency, and

efficiency of our management to secure trust and growth as a company recognized by all our stakeholders: customers, shareholders, business partners, and society.

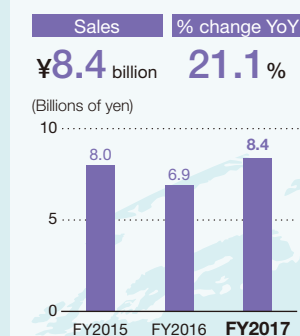
Currently, our operating environment is reaching a significant turning point. As a means of facing the challenge of this new age, we are working even harder to enhance sustainable growth and maximize Nihon Kohden's potential.

We sincerely appreciate your kind understanding of our business and further support going forward.

Global Business Strategy

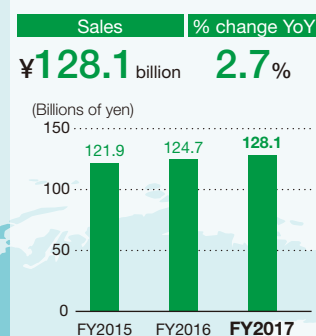
The products Nihon Kohden has developed so far are exported to more than 120 countries and used in medical practice all over the world. Under its Mid-term Business Plan, TRANSFORM 2020, Nihon Kohden works on strengthening business expansion by region: Japan, the United States, and emerging markets. Our patient monitoring systems have been introduced in the top university hospitals in the U.S. which has contributed to strengthening Nihon Kohden's overall presence in the U.S., the largest healthcare market in the world.

Sales in Europe



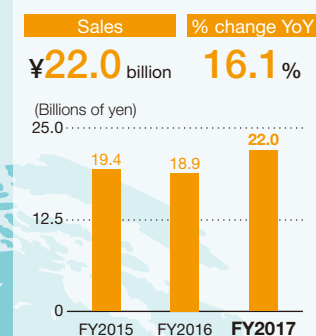
Sales in Europe increased, supported by strong sales in Russia and sales recovery in Germany and Turkey.

Sales in Japan



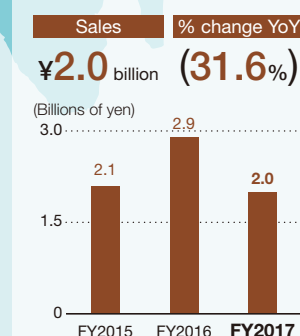
Sales increased as the Company concentrated on enhancing sales activities which match each market: the acute care hospital market, the small and medium-sized hospital market, and the clinic market. Consumables and services also contributed to the sales increase.

Sales in the Americas



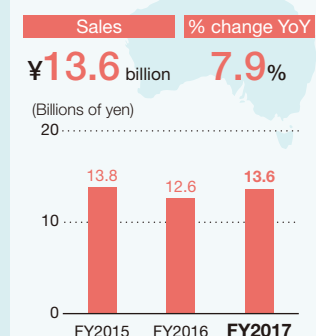
Sales showed strong growth both in the U.S. and Latin America.

Sales in Other



Sales decreased compared with the previous fiscal year when a large order in Egypt was recorded.

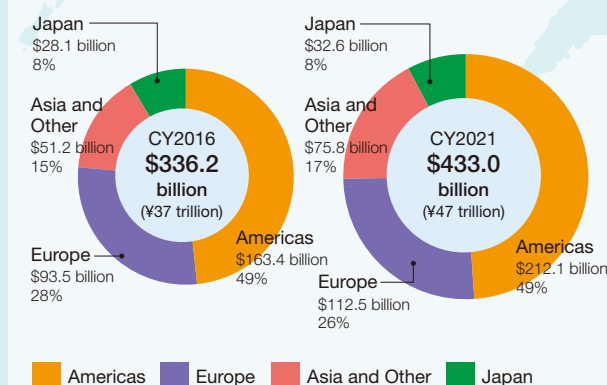
Sales in Asia



Sales in China increased favorably. Sales in the Middle East recovered as a result of developing distribution channels.

Global Medical Device Market

The global medical device market is expected to grow by around +5% per year toward 2021 driven by the aging population, as well as by increased healthcare needs in emerging markets in line with economic growth.



Source: BMI Research, Worldwide Medical Devices Forecasts to 2020
* Converted at the rate of \$1=¥110

Product Strategy

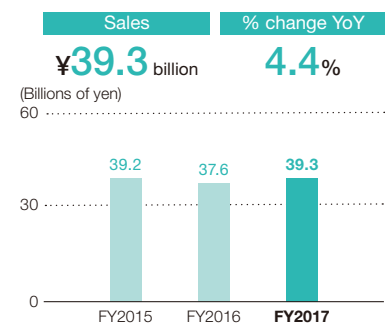
Under its Mid-term Business Plan, TRANSFORM 2020, Nihon Kohden aims to transform its operations to achieve a highly profitable structure by creating high customer value. We focus on developing high-value-added medical equipment by utilizing our Human Machine Interface technologies. We also continue to expand consumables and services business as a stable source of earnings.

Physiological Measuring Equipment



ECG-2400 series
Electrocardiograph

By drawing upon its core technological strength of sensor technology, Nihon Kohden continues to provide excellent physiological measuring equipment that can detect the faint signals produced by the human body. Our main products include EEGs, ECGs, evoked potential/EMG measuring instruments, and polygraphs for cath labs. In particular, our EEG, an indispensable device for the diagnosis of epilepsy, sleep disorders, and other conditions, maintains a strong market share around the world.

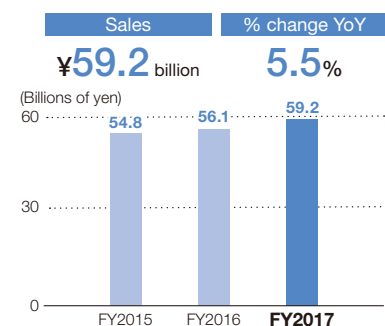


Patient Monitors



CSM-1901
Bedside monitor

Patient monitors, which continuously monitor the patient's vital signs such as ECG, temperature, SpO₂ (blood oxygen saturation), and NIBP (noninvasive blood pressure) are used in various types of medical practice including intensive care units (ICUs/CCUs), operating rooms (ORs), and general wards. Nihon Kohden undertakes product development based on our wide range of expertise from simpler monitoring systems for family doctors to transport monitors used in hospitals and sophisticated monitoring systems with intensive monitoring functions.

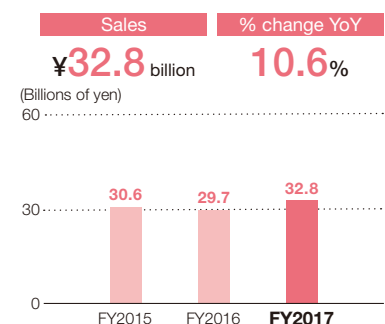


Treatment Equipment



AED-3100
Automated external defibrillator

The defibrillator for resuscitation delivers an electrical shock to a heart in a state of ventricular fibrillation in order to restore a normal heart rhythm. Nihon Kohden develops and manufactures defibrillators, which are used in hospitals and emergency practice, and AEDs, which can be handled by the general public. We also concentrate our resources on the import and sale of world-leading overseas products, including implantable pacemakers, ventilators, and anesthesia machines.

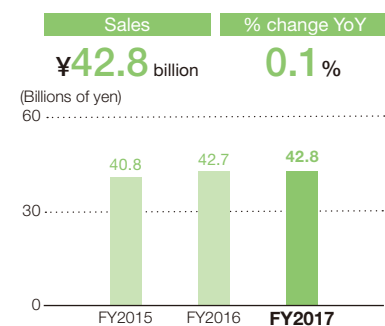


Other Medical Equipment

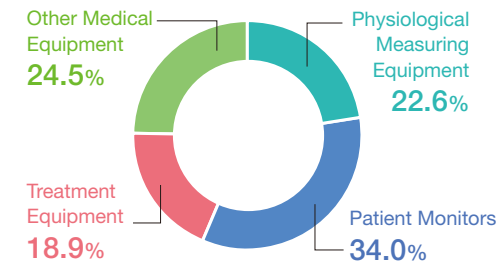


MEK-9100
Automated hematology analyzer

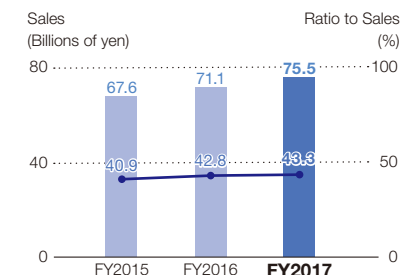
In the hematology testing area, Nihon Kohden develops and produces hematology analyzers for the measurement of blood cell count in the blood and reagents for laboratory blood testing, and has continuously improved measurement precision. Nihon Kohden also offers instruments for clinical chemical analysis to measure HbA1c, which is used as a diagnosis indicator of diabetes, and C-reactive protein (CRP). Furthermore, Nihon Kohden develops laboratory equipment used for basic medical research in-house, and is dedicated to improving their performance.



Sales by Product Category FY2017



Sales of Consumables and Maintenance Services



Review of FY2017

Japan

Sales of polygraphs for cath labs and diagnostic information systems increased favorably. Sales of ECGs increased, while sales of EEGs remained flat.

Inter-national

Sales of ECGs increased favorably, while sales of EEGs decreased.

New Products

In FY2017, a clinical assistant service, a medical and long-term care network system, and a Holter ECG monitor were launched for the clinic market.



RAC-5000 series
Holter ECG monitor

In FY2017, a mid-end bedside monitor for the acute care hospital market was launched. In FY2018, we will introduce a bedside monitor for emerging markets.



CSM-1501
Bedside monitor



CSM-1502
Bedside monitor

Japan

Sales of AEDs increased due to recovery of replacement demand and the increased sales of consumables. Sales of defibrillators and ventilators also increased favorably.

Inter-national

Sales of defibrillators showed strong growth in all areas. Sales of AEDs increased favorably in the Americas and Europe.

In FY2018, the Company's first ventilator and anesthesia machine will be launched. Both products are expected to generate synergy with our patient monitors because these are used together in intensive care units (ICUs) and operating rooms (ORs).

In June 2018, the Company's first automated hematology analyzer and clinical chemistry analyzer was launched for the clinic market.



MEK-1303
Automated hematology analyzer and clinical chemistry analyzer

ESG Summary

As a manufacturer specializing in medical equipment, Nihon Kohden vigorously strives to enhance its corporate value and contribute to a sustainable society. The Company does this through its business activities by taking on the challenges of solving a range of social issues such as fighting disease and improving health.

Mid-term CSR Plan

To increase corporate value, and contribute to the creation of a sustainable society, Nihon Kohden believes that it is important to resolve social issues through our business activities. As a means to achieve this, the Company established its Mid-term CSR Plan, Sustainable Growth 2020 that

runs through FY2019. In three areas of Healthcare, Environment, and Corporate Activities, Nihon Kohden establishes targets and solutions to address priority issues. The Company aims to solve these issues through its daily business activities by establishing prescribed activities based on clear goals.

Mid-term CSR Plan
Sustainable Growth 2020

Healthcare

Policy 1

Contribute to fighting disease and improving health through our products and services

Priority Issues 1

Improve efficacy and accessibility of diagnosis and treatment

Improve quality of care throughout the care cycle

Improve safety and security of patients and users

Improve customer satisfaction

Environment

Policy 2

Conserve the global environment and make improvements through all corporate activities

Priority Issues 2

Provide environmentally friendly products

Promote energy conservation and waste reduction in business activities

Adhere to environment-related regulations and protocols

Corporate Activities

Policy 3

Strengthen the foundation of CSR activities in all areas of corporate activities

Priority Issues 3

Improve corporate governance

Respect human rights and promote appropriate work practices

Facilitate active involvement and growth of diverse talents

Promote fair sales and purchase activities

Promote social contribution activities

External Evaluation

UN Global Compact

In July 2015, Nihon Kohden signed on to the United Nations Global Compact. By engaging in corporate activities that adhere to the Ten Principles of the United Nations Global Compact in the four areas of human rights, labor, the environment, and anti-corruption, Nihon Kohden seeks to earn the trust of society and to contribute to a sustainable society.



FTSE4Good Index Series

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE Russell confirms that Nihon Kohden has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series for two consecutive years from 2017.



Stakeholder Engagement

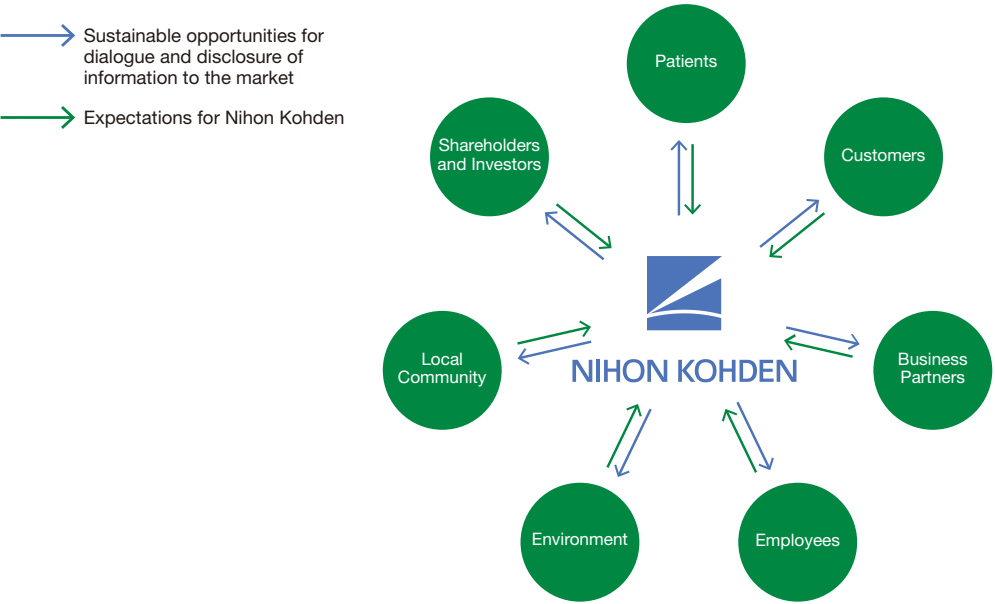
Nihon Kohden operates its business that places importance on all the Company's stakeholders. The Company also aims to maintain and develop a sound relationship with stakeholders by proactive communication with stakeholders.

Growing as a company and establishing trust

Nihon Kohden's planning and implementation of CSR initiatives are predicated on harmony achieved with all of its stakeholders. Nihon Kohden is committed to establishing trust with its stakeholders and achieving growth accepted by its stakeholders in all aspects of its business, from product development, production and sales to after-sales services,

the Company's financial standing, and human resource development efforts. In addition to its citizenship activities and information disclosure through its business activities, Nihon Kohden also leverages the opinions and requests of stakeholders in its future business activities as part of its efforts to be a trusted member of society.

Mutual understanding through dialogue with our stakeholders



Nihon Kohden's Stakeholder Engagement Initiatives

Stakeholder	Main Communication Method	Main Responsibility and Issues
Customers	<ul style="list-style-type: none">Daily sales activitiesCall centerCustomer satisfaction surveyAcademic seminarsME (medical electronics) workshops	<ul style="list-style-type: none">Offer of products and services with safety and securityEnhancement of customer satisfactionResponse to customer complaintsDisclosure and offer of adequate information of products and services
Business partners	<ul style="list-style-type: none">Daily procurement activitiesQuestionnaire of CSR procurement	<ul style="list-style-type: none">Open and fair tradePromotion of CSR procurement
Shareholders and investors	<ul style="list-style-type: none">General shareholders meetingsEarnings presentationsCompany briefingsEvents for individual investorsWebsite for investors	<ul style="list-style-type: none">Enhancement of corporate valueAppropriate shareholder returnsTimely and appropriate disclosureResponse to Social Responsible Investment
Employees	<ul style="list-style-type: none">Self-enumeration systemLevel-specific training sessionsLabor-management council meetingsConsultation counterCompany newsletters and intranet	<ul style="list-style-type: none">Development and utilization of human resourcesSecurement of occupational health and safetyRespect for diversity of human resources and work style
Local communities	<ul style="list-style-type: none">Volunteer activities in local communitiesParticipation in local events	<ul style="list-style-type: none">Participation and contribution to local communities

Enhancing Corporate Governance

Nihon Kohden strives to strengthen its corporate governance with the aim of continually enhancing its corporate value.



Basic Views on Corporate Governance

To realize the Company's Management Philosophy, Nihon Kohden aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients, and society in all aspects including products, service, technology, financial strength, quality of employees, and other points.

In order to realize this management basic policy and increase corporate value over the mid-to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aiming at improving the soundness, transparency, and efficiency of management, is an important management issue.

Corporate Governance Structure

Nihon Kohden has adopted a Company with an Audit & Supervisory Committee structure to achieve the following: enhancement of supervisory function, improvement of soundness and transparency of management, and acceleration of management decision making. The Company currently has four independent outside directors which comprise one-third of the Board of Directors. The Company takes measures such as appointment of independent outside directors and introduction of an operating officer system as well as cooperation among the Audit & Supervisory Committee, Internal Auditing Department, and accounting auditor. The Company believes the management monitoring functions work sufficiently.

The Company registered four outside directors as independent directors, who have no conflict of interest between general shareholders and them, to the Tokyo Stock Exchange. Outside directors attend the important meetings such as the Management Council. They provide opinions from an objective and neutral standpoint if necessary and supervise the Company's management.

The Board of Directors

The Board consists of nine directors excluding Audit & Supervisory Committee members (including two outside directors)

and three Audit & Supervisory Committee members (including two outside directors). The Board has monthly meetings in order to resolve the matters pursuant to the Companies Act and makes decisions on the execution of important business for the Nihon Kohden Group as well as supervises directors' performance of their duties.

Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three directors, including two outside directors and one full-time member. Each Audit & Supervisory Committee member attends the important meetings such as the Management Council. Audit & Supervisory Committee members audit the performance of the directors' duties through auditing main offices and subsidiaries. Those activities shall be in accordance with the audit policy and plan for the term which is decided at the Audit & Supervisory Committee.

The full-time member of the Audit & Supervisory Committee has many years of experience in finance and accounting departments and possesses a considerable degree of knowledge about finance and accounting.

Management Council

Meetings of the Management Council, which consists of all directors and operating officers, are held three times a month in order to undertake the management activities based on the policy approved by the Board as well as aiming at prompt decision making and flexible business operation. The Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on the one hand and the execution of operations on the other.

Nomination and Remuneration Committee

The Company has established a Nomination and Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure transparency and objectivity of the management. A majority of the committee members and the committee chair are appointed from outside directors.

Nomination of Director Candidates

Director nomination is considered based on the following matters: the Board is well balanced in knowledge and experience as a whole; the Board can make appropriate and quick decisions; and individual directors have excellent character, insight, and high ethical standards. The nomination policy of directors (excluding Audit & Supervisory Committee members) is stipulated in the Corporate Governance Guideline and of Audit & Supervisory Committee members is stipulated in Auditing Standards conducted by the Audit & Supervisory Committee. In accordance with the policy above, nominations of directors are proposed by the Nomination and Remuneration Committee and are approved by the Board.

The Company appoints outside directors who meet the independence criteria set by the Tokyo Stock Exchange and have a wealth of knowledge and experience in their fields, and can provide advice and supervise the management from their objective and neutral position.

Remuneration of Directors

Nihon Kohden has established the policy on determining the amount or calculation method of director remuneration which would further link with performance and shareholder value as well as aiming at the transparency of management and ensuring growth and profitability in mid- to long-term.

Remuneration of directors (excluding Audit & Supervisory Committee members and outside directors) consists of monthly compensations and bonuses. Monthly compensations are determined based on the size of the role and range of responsibilities of each position. Bonuses are determined taking into consideration their contribution and the Company's business performance every fiscal year. A certain percentage of monthly compensation is allotted to purchasing shares of the Company for reflecting mid- to long-term business results. Directors shall hold the shares during the period served as directors.

Remuneration of outside directors excluding Audit & Supervisory Committee members consists of monthly compensations. Remuneration of directors excluding Audit & Supervisory Committee members is reviewed at the Nomination and Remuneration Committee and is proposed to the Board. Remuneration of Audit & Supervisory Committee members consists of monthly compensations only and is determined after the consultation between Audit & Supervisory Committee members.

The Total Amount of Remuneration of Directors in FY2017 Ended March 31, 2018

	Number of Members	Total Amount
Directors excluding Audit & Supervisory Committee members (Outside Directors)	12 (2)	¥293 million (¥18 million)
Audit & Supervisory Committee members (Outside Directors)	3 (2)	¥40 million (¥19 million)
Total	15 persons	¥334 million

As approved at the general shareholders meeting held in June 2016, the total amount of remuneration to directors of the Company excluding directors serving as Audit & Supervisory Committee members shall be within the limit of ¥400 million (including the amount of remuneration to outside directors which shall be within the limit of ¥30 million) and the total amount of remuneration to Audit & Supervisory Committee members shall be within the limit of ¥80 million.

Cooperation with the Accounting Auditor and the Internal Auditing Department

The Audit & Supervisory Committee cooperates closely with the accounting auditor by receiving explanation of auditing plans and quarterly audit results, exchanging opinions, and attending accounting audits for main offices and subsidiaries conducted by the accounting auditor.

The Audit & Supervisory Committee meets regularly with the Internal Auditing Department (eight members), an organization under the direct supervision of the president, for exchanging information and enhancing cooperation. The Internal Auditing Department conducts regular internal audits of the Company and its subsidiaries regarding compliance, and effectiveness and appropriateness of business executions. The Internal Auditing Department cooperates with Audit & Supervisory Committee members to enhance monitoring functions on accounting and business executions. The Internal Auditing Department reports the internal audit results to the president and the Audit & Supervisory Committee each time the internal audit is conducted. Internal audit results and progress of improvements are reported to directors and operating officers at the Board of Directors Meetings every quarter.

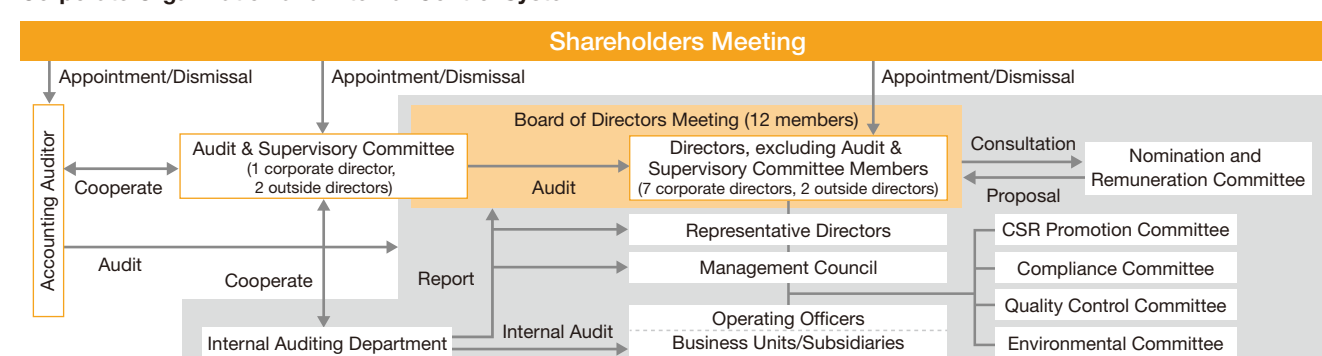
Board Evaluation

Nihon Kohden analyzes and evaluates the effectiveness of the Board to further improve the function of the Board. To do this, the Company clarifies issues and points for improvement and, based on this, undertakes initiatives to raise the level of Board effectiveness. As part of this process, the Company conducts self-evaluations of all directors including Audit & Supervisory Committee members in an anonymous survey related to (1) the size and constitution of the Board, (2) the operation of the Board, (3) the supporting system for outside directors including Audit & Supervisory Committee members, (4) the decision-making process of the Board, and (5) the communication with shareholders and stakeholders.

In FY2017, the Company adjusted the number of matters on the agenda and meeting time in order to ensure the time necessary for discussion. The Company also enhanced its supervisory function by establishing rules for monitoring the execution of matters resolved by the Board. As a result of these measures, the Company has confirmed that the Board as a whole is now functioning effectively. On the other hand, the Board Members shared the following concern: the range of matters, which require a resolution by the Board or a report to the Board, needs to be reviewed as both the number of meetings and meeting time increased along with increasing matters brought up for discussion at the Board.

The Company will continue existing improvement initiatives and review the range of matters on the agenda of the Board in accordance with the FY2017 evaluation results to further accelerate decision making.

Corporate Organization and Internal Control System



Management Team



Shigeru Kawatsuhara Masahiro Kawamura Kazuhiko Ikuta Yasuhiro Yoshitake Fumio Hirose Eiichi Tanaka
Minoru Obara Masaya Yamauchi Hirokazu Ogino Takashi Tamura Tadashi Hasegawa Kazuteru Yanagihara

Hirokazu Ogino **Representative Director** President and CEO

Date of birth May 28, 1970					
April 1995	Joined the Company	June 2012	Corporate Director and Operating Officer	October 2013	CEO of Nihon Kohden America, Inc.
April 2007	President of Nihon Kohden Europe GmbH	April 2013	General Manager of International Operations	June 2015	Representative Director, President and COO
April 2011	General Manager of Marketing Strategy Department	June 2013	Corporate Director and Senior Operating Officer	June 2017	Representative Director, President and CEO (current position)
June 2011	Operating Officer				

Takashi Tamura **Representative Director** Executive Operating Officer, Responsible for Customer Service, General Manager of Sales Operations

Date of birth March 22, 1959					
April 1983	Joined the Company	April 2011	General Manager of International Operations	June 2015	Corporate Director and Senior Operating Officer
April 2003	President of Nihon Kohden Kansai Corporation	April 2013	General Manager of Service Business Division	April 2016	General Manager of Sales Operations (current position)
April 2007	General Manager of Sales Operations	April 2014	General Manager of Customer Service Operations	June 2017	Representative Director and Executive Operating Officer (current position)
June 2007	Operating Officer				
June 2008	Corporate Director and Operating Officer				

Tadashi Hasegawa **Director** Senior Operating Officer, Responsible for Finance, Legal Affairs, Compliance, Human Resources, and Information Systems

Date of birth June 17, 1959					
April 1983	Joined The Saitama Bank Ltd.	June 2013	Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited	April 2014	Joined the Company
June 2009	Operating Officer of Saitama Resona Bank Limited	March 2014	Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited	June 2014	Operating Officer and Responsible for Internal Auditing Department
June 2011	Senior Operating Officer of Saitama Resona Bank Limited			June 2015	Corporate Director and Senior Operating Officer (current position)

Kazuteru Yanagihara **Director** Senior Operating Officer, General Manager of Strategic Technology Operations

Date of birth January 22, 1957					
April 1980	Joined the Company	June 2011	Deputy General Manager of Biomedical Instrument Technology Center	April 2014	General Manager of Strategic Technology Operations (current position)
April 2009	Deputy General Manager of Biomedical Instrument Technology Center	April 2012	General Manager of Biomedical Instrument Technology Center	June 2015	Corporate Director and Operating Officer
April 2011	General Manager of Technology Promotion Center	June 2012	Operating Officer	June 2017	Corporate Director and Senior Operating Officer (current position)

Fumio Hirose **Director** Senior Operating Officer, Responsible for Marketing Strategy, General Manager of Ventilator & Anesthesia Device Business Operations and IVD Business Operations

Date of birth March 2, 1960					
April 1982	Joined the Company	April 2009	General Manager of Corporate Planning Department	June 2015	Corporate Director and Operating Officer
April 2003	President of Nihon Kohden Chushikoku Corporation	June 2009	Operating Officer	June 2017	Corporate Director and Senior Operating Officer (current position)
April 2006	Chief Manager of Global Marketing Operations	April 2013	General Manager of Ventilator & Anesthesia Device Business Operations (current position)	April 2018	General Manager of IVD Business Operations (current position)

Eiichi Tanaka **Director** Operating Officer, General Manager of Import Business Operations

Date of birth July 15, 1962					
April 1985	Joined the Company	June 2008	Operating Officer	April 2014	President of Nihon Kohden Tomioka Corporation
April 2002	General Manager of Marketing & Business Development Department	April 2011	General Manager of Accessories & Consumables Business Operations	April 2017	General Manager of Import Business Operations (current position)
October 2003	President of Nihon Kohden America, Inc.	April 2013	Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation	June 2017	Corporate Director and Operating Officer (current position)
April 2008	General Manager of General Affairs and Human Resources Department				

Yasuhiro Yoshitake **Director** Operating Officer, General Manager of International Operations

Date of birth March 20, 1966					
April 1988	Joined the Company	April 2008	Managing Director of Nihon Kohden Trading (Shanghai) Co., Ltd.	April 2015	General Manager of International Operations (current position)
October 2003	President of Nihon Kohden Europe GmbH	April 2011	General Manager of China Operations	June 2017	Corporate Director and Operating Officer (current position)
April 2007	General Manager of Sales Promotion Division, International Operations	June 2011	Operating Officer		
		April 2013	General Manager of Asia and Middle East Operations		

Masaya Yamauchi **Outside Director** Independent Director

Date of birth March 20, 1960					
April 1988	Registered as an attorney (Tokyo Bar Association)	August 2001	Integrated into Hibiki-Sogo Law Office (current position)	Years served as Director 8 years Attendance at Board Meetings 28/28	
September 1993	Established Nakagawa & Yamauchi Law Office	June 2010	Outside Director of the Company (current position)		

Minoru Obara **Outside Director** Independent Director

Date of birth September 29, 1947					
April 1986	Associate Professor at Dept. of Electrical Engineering, Faculty of Science and Technology, Keio University	April 1993	Professor at Dept. of Electrical Engineering (current Dept. of Electronics and Electrical Engineering), Faculty of Science and Technology, Keio University	April 2013	Professor Emeritus at Keio University (current position)
		June 2012	Outside Director of the Company (current position)	Years served as Director 6 years Attendance at Board Meetings 28/28	

Kazuhiko Ikuta **Director (Full-time Audit & Supervisory Committee Member)**

Date of birth May 29, 1956					
April 1980	Joined the Company	April 2009	General Manager of Finance Department	June 2016	Director (Full-time Audit & Supervisory Committee Member) (current position)
April 2006	Senior Manager of Finance Department, General Administrative Division	June 2009	Operating Officer		

Masahiro Kawamura **Outside Director (Audit & Supervisory Committee Member)** Independent Director

Date of birth August 19, 1949					
June 1977	Registered as a Tax Accountant	June 2016	Outside Director (Audit & Supervisory Committee Member) of the Company (current position)	Years served as Director 2 years Attendance at Board Meetings 27/28 Attendance at Audit & Supervisory Committee Meetings 30/31	
March 1979	Registered as a Certified Public Accountant		Outside Director (Audit & Supervisory Committee Member) of Daitogyorui Co., Ltd. (current position)		
August 1979	Joined Kawamura Tax Accounting Office (current position)				
June 2010	Outside Audit & Supervisory Board Member of the Company				

* Mr. Masahiro Kawamura had been in office as Outside Audit & Supervisory Board Member of the Company for 6 years before he assumed office as Outside Director serving as an Audit & Supervisory Committee Member of the Company.

Shigeru Kawatsuhara **Outside Director (Audit & Supervisory Committee Member)** Independent Director

Date of birth February 14, 1962					
April 1975	Joined Toko, Inc.	April 2008	President of Toko, Inc.	Years served as Director 2 years Attendance at Board Meetings 28/28 Attendance at Audit & Supervisory Committee Meetings 31/31	
April 2002	Senior Manager of Sales Department 1, Sales Operations, Toko, Inc.	May 2014	Chairman of Toko, Inc.		
		March 2015	Senior Advisor of Toko, Inc.		
April 2004	General Manager of Sales Center, Toko, Inc.	April 2016	Part-time Advisor of Toko, Inc.		
June 2005	Corporate Director and General Manager of Sales Center, Toko, Inc.	June 2016	Outside Director (Audit & Supervisory Committee Member) of the Company (current position)		

Message from Outside Directors

Masaya Yamauchi Outside Director Hibiki-Sogo Law Office



I believe the role expected of outside directors is to provide a different perspective on management decisions and corporate governance, based on our external independent position, and thereby enhance corporate value.

Nihon Kohden continues to take the initiative of proactively enhancing its corporate governance and facilitating active discussion from multi-dimensional perspectives at Board Meetings. I am ongoingly committed to further fulfilling my role in monitoring based on generally accepted social norms from an external perspective and as a lawyer.

I will sincerely perform my duties going forward to contribute to the further enhancement of the Nihon Kohden Group's corporate value by faithfully undertaking the abovementioned role to the best of my abilities.

Minoru Obara Outside Director Professor Emeritus at Keio University



The role of outside directors is becoming recognized as significantly important. I would like to make a contribution to the sustainable growth of Nihon Kohden while the management team and outside directors maintain a moderate degree of tension without confrontation.

Nihon Kohden, as a leading company in the medical device industry, contributes to society by always providing medical devices and services of the finest quality to customers in the medical industry. For the further enhancement of corporate value and business development, it is important to take a view of “constancy and change.” In other words, while further strengthening the core business as a strong foundation, is it not still necessary to be courageous and provide new products and services to the global market? Humanity is experiencing for the first time a world of fast-paced chaotic change that is connected globally via the Internet. We can expect a future with fast and accurate analysis and synthesis of Big Data. In this world, it will be necessary to act quickly to formulate management strategy. It is essential for this process to have human resources that are highly aspirational and global, human resources that can identify the crux of difficult situations and find solutions, human resources with diverse skills with ICT literacy, and human resources that are autonomous.

I would like to proactively contribute to the further enhancement of corporate value as an outside director by making ceaseless efforts and constructive dialogue continuously, and also by fulfilling the supervisory function with a strong sense of responsibility.

Masahiro Kawamura Outside Director (Audit & Supervisory Committee Member) Kawamura Tax Accounting Office



Most major companies have appointed outside directors following the introduction of the Corporate Governance Codes. It sometimes seems like most companies are just trying to meet the set number of directors, whereas Nihon Kohden had already appointed one outside director and three outside Audit & Supervisory Board members as early as seven years ago, when I was appointed as an outside Audit & Supervisory Board member. One could say, in that sense, that the Company has been focused on the necessity and effective utilization of outside officers ahead of other companies.

Going forward, I am committed to fulfilling the duties entrusted by shareholders substantively and as a better-prepared outside director than ever by openly stating my opinions at not only meetings of the Board of Directors and Management Council but also at meetings of the Nomination and Remuneration Committee from a neutral and independent perspective, as well as based on my professional knowledge and experience as a certified public accountant and tax accountant, as indicated in the Corporate Governance Codes.

Shigeru Kawatsuhara Outside Director (Audit & Supervisory Committee Member)



I believe what Audit & Supervisory Committee members, independent officers, and outside directors are required to do is to provide advice, etc., concerning management policies or issues for improvement based on our knowledge, fulfill our roles and duties for contributing to a Company's sustainable growth and the mid- to long-term enhancement of corporate value, and reflect stakeholders' opinions on the Board, rather than making a decision on individual business execution.

Directors of the Company have a number of opportunities to receive detailed reporting on business execution, and also actively exchange opinions with each other. I think my role here is to capture issues objectively, consider the balance between risk-taking and safety, and provide advice reflecting my experience. I am committed to be engaged in activities to contribute to the further enhancement of corporate value going forward.

Meetings for the Exchange of Opinions by Outside Directors

Overview

Since FY2016 ended March 31, 2017, Nihon Kohden has been regularly holding meetings for the exchange of opinions by outside directors to ensure an exchange of views and development of a common understanding by outside directors.



Aims	The meetings are held regularly with a membership composed entirely of independent outside directors. The meetings aim to be a part of producing an environment engendering creative discussion through prompting an exchange of views and the development of a common understanding by outside directors from an objective perspective.
Membership	Four independent outside directors (including two Audit & Supervisory Committee members)
Dates for Meetings	Annual meetings slated for around May and November, with additional meetings when required
Topics for Meetings	May Evaluation of the effectiveness of the Board of Directors November Improvement in conditions following the meeting in May and other issues related to the Company's business

Meetings Held

The 1st meeting in May 2016	The results of the evaluation of the effectiveness of the Board of Directors
The 2nd meeting in November 2016	The improvement in conditions following the meeting in May on the results of the evaluation of the effectiveness of the Board of Directors, and the health care industry and the Ministry of Health, Labor and Welfare measures and Nihon Kohden's strategy
The 3rd meeting in February 2017	Nihon Kohden products and conditions of competitors
The 4th meeting in June 2017	The results of the evaluation of the effectiveness of the Board of Directors
The 5th meeting in November 2017	The improvement in conditions following the meeting in June on the results of the evaluation of the effectiveness of the Board of Directors and the activities of the Marketing Strategy Department
The 6th meeting in May 2018	The results of the evaluation of the effectiveness of the Board of Directors

Content of Meetings

To date, we have held a total of six meetings, and each occasion has resulted in active discussions. In particular, there have been straight-forward discussions on how to improve the Board of Directors and discussions about our business over the mid- to long-term. As a result, there is a common understanding in relation to “what kind of issues outside directors should propose to the Board of Directors and the management team”. Based on that understanding, each member proactively expresses themselves to the Board of Directors in a demonstration of the supervisory functions.

In addition, outside directors discussed matters based on the information provided by the each department's general managers on such topics as the business, products, and industry trends of the Company. This process has deepened the understanding of the agenda proposed to the Board of Directors and contributed to discussions for management decision making.

Ensuring Thorough Compliance

We practice fair and legitimate business activities with high ethics.



Basic Approach to Compliance

The Nihon Kohden Charter of Conduct states that “we comply with applicable laws, regulations, restrictions, and company internal and external rules as well as social norms and conduct fair and legitimate business activities.”

To ensure this, Nihon Kohden has established regulations related to compliance and conducts employee training to ensure that these rules take root and are thoroughly observed.

Nihon Kohden Code of Ethics and Conduct

To ensure that Nihon Kohden employees embrace the spirit of the Management Philosophy and Nihon Kohden Charter of Conduct, the behavior to be observed from the perspective of compliance is set forth in the Nihon Kohden Code of Ethics and Conduct.

 <https://www.nihonkohden.com/sustainability/pdf/conduct.pdf>

Compliance Promotion Framework

Nihon Kohden has established Compliance Promotion Rules pertaining to mechanisms and the basic matters of operational methods to ensure thorough compliance. The Compliance Committee has been established as an organization for promoting compliance based on the Compliance Promotion Rules. The committee establishes rules and systems and provides operational support to ensure that compliance is observed in business activities. Its functions include complying with laws and regulations,

Compliance Promotion Framework



providing compliance education and training to employees, and monitoring the state of compliance. In 2017, the Company introduced a global compliance program throughout the entire Group.

In addition, the Chief Compliance Officer appoints Compliance Administrators at the respective Group companies and departments. The Compliance Administrators are responsible for the promotion and thorough implementation of the compliance framework at the respective Group companies and departments they cover.

Compliance Workshops

To ensure that all employees understand compliance and are able to easily confirm and put it into practice on a day-to-day basis, Nihon Kohden has prepared a Compliance Handbook that contains the necessary rules, methods, guidelines for action, and other matters, and it is distributed to all employees.

In addition, we conduct compliance workshops every year at the workplace level in each of our departments and subsidiaries. Each employee first studies the predefined material on his/her own and then confirms his/her level of understanding. Next, by reading the material and discussing it with colleagues, we work to deepen employees’ understanding of compliance.

By continuing these compliance training activities, Nihon Kohden aims to prevent compliance violations and continue to take the initiative in raising the awareness and level of knowledge about compliance.

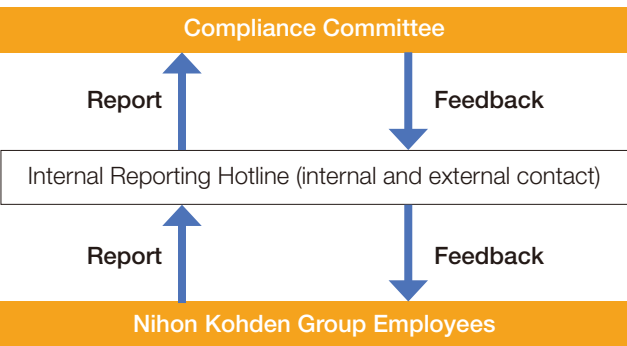


The Compliance Handbook is distributed to all employees.

Internal Reporting System

Nihon Kohden has established an internal reporting hotline as a point of contact for reporting on compliance matters. Employees are required to make reports through the hotline when they are unable to do so through their superior or reporting to their superior is deemed inappropriate or ineffective. The Company also accepts anonymous reporting to protect the person who makes a report from any unfavorable treatment due to such reporting.

Internal Reporting Hotline



Preventing Corruption

The Nihon Kohden Code of Ethics and Conduct prohibits any act of illegal bribery of Japanese and foreign public officials, and ensures compliance with laws and regulations preventing corruption in every region in which Nihon Kohden engages in business, including bribery and corruption-related legislation in Japan, the Foreign Corrupt Practices Act (FCPA) in the United States, and the Bribery Act in the United Kingdom. Furthermore, Nihon Kohden has established the Anti-corruption Rules, which prescribe detailed rules and procedures to prevent bribery, and ensures thorough adherence thereto.

Initiatives Concerning Transparency with Medical Institutions

In response to the Transparency Guidelines for the Medical Device Industry and its Relationships with Medical Institutions and Other Organizations established by the Japan Federation of Medical Devices Associations, which stipulates disclosure of information on funding paid to medical institutions and other organizations as part of business activities, Nihon Kohden has established “Guidelines on Transparency Regarding Relationships between Nihon Kohden and Medical Institutions, etc.” Since April 1, 2013, Nihon Kohden has published on its website information regarding funding paid to medical institutions and medical professionals.

Voice



Nihon Kohden is introducing initiatives to both improve awareness of compliance, and to ensure compliance measures are promoted and practiced.

The promotion and practice of compliance are indispensable for our corporate business activities. The Legal Department is engaged in activities to ensure understanding and awareness of compliance among employees, including implementing a range of compliance education initiatives, such as compliance workshops held at each workplace every year and distributing the Compliance Handbook to all employees.

In recent years, we have been working to reinforce our compliance framework across the entire Group by introducing a global compliance program, including establishing the Anti-corruption Rules and expanding the internal reporting system. I would like to continue promoting compliance and its thorough implementation throughout the Company.

Improving Safety and Security

As a maker of medical devices which affect lives, we aim to provide products and services that give the customer safety and security.



Quality Policy and Quality Targets

Medical devices used in advanced medical care require the highest level of quality and safety. Nihon Kohden set the following quality policy.

Quality Policy

To have the customers feel continuous satisfaction with their purchase of Nihon Kohden products.

Our Long-term Vision for 2020 includes the goal of “achieving the highest level of quality in the world.” In pursuit of product and service quality, we set three targets for daily quality improvement activities.

- ① “Risk Zero” design and production
- ② Achieve a high utilization rate by users
- ③ Achieve excellent usability

To achieve this quality policy and Long-term Vision, Nihon Kohden set Group quality targets and continually strives to ensure customer satisfaction and quality in all processes from development to production, sales, and after-sales service.

Nihon Kohden complies with the medical device regulations of each country and was one of the first in the industry to ensure that its quality management systems conform to global standards. This ensures the ability to develop and manufacture medical devices with high quality and safety.

Nihon Kohden has received ISO9001:2015 quality manage-

ISO9001 Certificate, ISO13485 Certificate



ment system certification and ISO13485:2016 certification for the medical devices sector, as well as receiving Medical Device Single Audit Program (MDSAP)* certification ahead of other manufacturers. Our Reliability Center, which carries out product evaluation, has received ISO17025 for testing and calibration labs.

* MDSAP is a third-party Auditing Organization's program to conduct a single regulatory audit of a medical device manufacturer that satisfies the relevant requirements.



Machine testing room

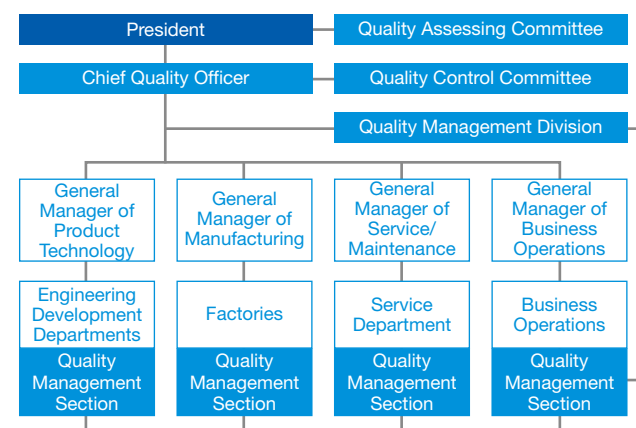
Support Systems to Ensure Safety

Nihon Kohden not only strives to improve the quality and safety of its products, but also supports customers in safety management and disseminates medical technology to help ensure safety after delivery of the product.

In Japan, Nihon Kohden deploys specialized personnel who have accreditations such as Medical Device Information Communicators (MDIC)*. We also organize safety workshops for users to ensure that they use our products correctly. We held 1,661 workshops in FY2017.

* MDIC is an accreditation program established by the Japan Society of Medical Instrumentation (JSMI) to cultivate personnel who can contribute to patient safety and the improvement of healthcare quality.

Quality Management System



Improving Quality, Accessibility, and Efficiency of Healthcare

We aim for higher quality, accessibility, and efficiency of healthcare by innovative technology and customer-oriented product development.

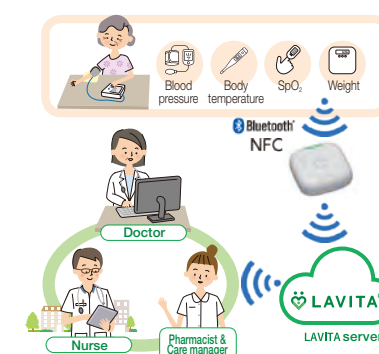


Improving Healthcare Efficiency

Faced with a rapidly aging population, mainly in developed countries, the healthcare systems in those countries are required to provide optimum solutions accordingly. In Japan where the population is aging much faster than in other countries, the development of a comprehensive regional care system is underway, led by the Ministry of Health, Labour and Welfare and targeting completion in 2025. Nihon Kohden develops products and systems not only for large hospitals that provide acute phase treatment and clinics serving as family doctors, but also for home care, enabling us to provide comprehensive solutions throughout the care cycle from preventive care and diagnosis to treatment and rehabilitation.

LAVITA®, Medical and Long-Term Care Network System

LAVITA® is a cloud-type network system that supports the utilization of information and communications technologies (ICTs) in home medical care and nursing care. Vital data such as blood pressure, body temperature, SpO₂ (blood oxygen saturation), and weight, are measured at patients' homes and easily collected via Bluetooth®, near field communication (NFC), and Wi-Fi, and then automatically sent to the cloud server. Medical and nursing staff such as family doctors, nurses, and care managers

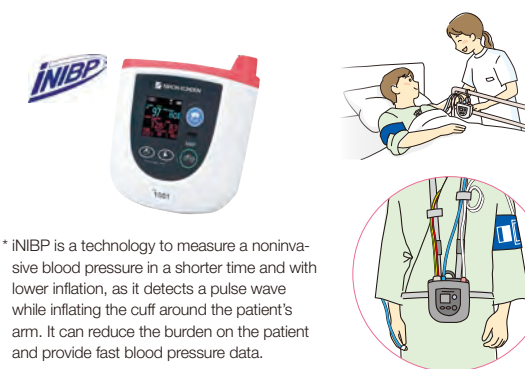


can share patients' vital data in real time when they need to know or communicate these data. This system contributes to improving the efficiency of medical practice and enhancing home medical care, as medical staff and nursing staff can monitor patients' conditions remotely away from patients' homes by utilizing ICTs. This system also supports the cooperation of experts across a range of medical and nursing-care fields, based on shared information in the event of a change in patients' conditions.

ZS-640P, Transmitter

The transmitter measures patients' vital sign data such as ECG, and SpO₂ and wirelessly transmits these data to the central monitor at a nurse station.

The ZS-640P is a patient-friendly transmitter which has realized both smaller size and lighter weight, and uses Nihon Kohden's unique noninvasive blood pressure measurement technology, iNIBP*. This product supports the improvement of the operational efficiency and medical safety required in the medical practice, as medical staff can confirm waveform and numerical data on the organic light emitting display on the spot when electrodes and sensors are attached to a patient.



* iNIBP is a technology to measure a noninvasive blood pressure in a shorter time and with lower inflation, as it detects a pulse wave while inflating the cuff around the patient's arm. It can reduce the burden on the patient and provide fast blood pressure data.

Value Story



BLS Trainers Course

Initiatives for Promoting CPR and AEDs

Adopted as JICA's Collaboration Program with the Private Sector for Disseminating Japanese Technology for Mexico

The AED Promotion Project proposed by Nihon Kohden was adopted as a Collaboration Program with the Private Sector for Disseminating Japanese Technology for the Social and Economic Development of Developing Countries in the second round of publicly-invited contests organized by the Japan International Cooperation Agency (JICA) in FY2015. Electroshocks given through the defibrillator is the only method for treating ventricular fibrillation, one of the causes of sudden cardiac death. This project is intended to widely disseminate BLS* using an AED, an effective method for improving the resuscitation rate, in order to prevent sudden cardiac death caused by acute myocardial infarction, which is increasing in Mexico.

In June 2018, BLS trainers courses were provided for staff at the National Autonomous University of Mexico. In the future, the local trainers who took this course will conduct the BLS provider courses in Mexico. We expect that BLS using AEDs will be disseminated widely and contribute to a decrease in sudden cardiac death in Mexico.

* BLS (basic life support) is an initial lifesaving measure carried out by those present on site with a potential cardiopulmonary arrest patient before the arrival of an emergency medical service or a doctor

Ensuring Fair Trade Practices

We aim to achieve fair business practices across the entire value chain including our business partners as full participants.



Basic Approach

We strive to practice sound and fair purchasing and achieve fair trade across the value chain including at our business partners. Our efforts to achieve fair trade include the running of in-house training and the strengthening of relationships with our business partners.

Procurement Policy and Procurement Standards

To disseminate our stance on procurement to both inside and outside the Company and ensure that our commitment will take root, we created the Nihon Kohden Procurement Policy and Nihon Kohden CSR Procurement Standards in 2013. The Nihon Kohden Procurement Policy represents Nihon Kohden's basic policy on procurement. The Nihon Kohden CSR Procurement Standards represent the compliance items Nihon Kohden expects its business partners to observe.

Nihon Kohden Procurement Policy

As part of its corporate social responsibility efforts to become a more global company, the Nihon Kohden Group values its partnerships with its business partners and engages in procurement activities in good faith following the policy outlined below.

- 1 Comply with relevant laws and ordinances and social norms in business transactions.
- 2 Properly manage and protect confidential information and personal information obtained through business transactions.
- 3 Build relationships of trust. Practice fair, equitable procurement.
- 4 Practice proper quality, cost, and delivery for customer needs.
- 5 Reduce our impact on the environment and practice procurement according to separately stipulated green procurement guidelines (*see page 38).

Adherence to the Nihon Kohden CSR Procurement Standards

In addition to efforts to facilitate employee understanding of and compliance with the Fair Competition Code, the Act against Delay in Payment of Subcontract Proceeds and other relevant laws through the compliance training provided to all employees, Nihon Kohden also endeavors to ensure that its business partners understand and adhere to the Nihon Kohden CSR Procurement Standards through mutual communication. Nihon Kohden requests business partners to conduct self-assessment on their environmental and quality activities, and, moreover, checks business partners' understanding of and adherence to Nihon Kohden's CSR Procurement Standards through their answers to the CSR Activity Questionnaire conducted every three years containing questions on items such as legal

compliance and fair business practices, human rights, quality, the environment, information management, and CSR promotion. Opinions expressed through the Questionnaire are fed back to procurement departments and utilized to realize fair and responsible procurement.

Nihon Kohden CSR Procurement Standards

1 Legal compliance/fair business practices

1. Comply with applicable laws, ordinances, and government circulars such as the Companies Act, Anti-Monopoly Act, Act against Delay in Payment of Subcontract Proceeds, and relevant labor and environmental laws and regulations.
2. Comply with relevant import/export laws and regulations and the laws of countries and regions where we operate.
3. Do not infringe upon intellectual properties, including patent rights, copyrights, and trademarks, etc.
4. Do not give or receive inappropriate personal benefits.
5. Do not do business with anti-social persons or groups.

2 Human rights

6. Respect the human rights of all people and not discriminate against employees in their benefits or employment.
7. Do not use child labor or forced labor.

3 Quality

8. Comply with safety standards and regulations of all countries and regions.
9. Strive to maintain and enhance quality and build a quality assurance system that meets our standards to meet customer needs.

4 Environment

10. Promote environmentally aware green procurement. Strive to reduce the impact of our products on the environment during their life cycle.

5 Information management

11. Properly manage and protect confidential information and personal information obtained through business transactions.

Initiatives to Maintain and Improve Quality

To respond to customer needs, we strive to maintain and improve the quality of the components and materials we procure. We have new business partners cooperate with audits to confirm the appropriate operation of quality management systems, and have existing business partners cooperate with periodic reviews of operations and quality audits based on the quality of delivered components. We strive to further enhance quality by getting business partners themselves to understand that the quality of delivered components can have a significant impact on the quality of our end products.

Nihon Kohden's Contributions to the Community

We strive to be a good corporate citizen respecting culture and customs through active contribution to the community.



Social Contribution by Employees

Regional Cleanup Activities

As part of its social contribution activities, the Minami Kanto Branch Office has registered as one of the "Hama Road Supporters" since April 1, 2014. This is a program that volunteer groups and the city of Yokohama collaborate for road beautification and cleanup activities. The Minami Kanto Branch Office continues to carry out cleanup and beautification activities for roads in the region. On the morning of the second Friday of each month, 20 to 30 employees voluntarily participate in cleanup of approximately 250 meters of roads and their vicinity. It leads to a contribution to the local community. As a result, the Minami Kanto Branch Office received a letter of appreciation from the city of Yokohama in August 2017, to thank them for their determined cleanup activities over many years.

At the summer festival held at the Yokohama Business Park where our Yokohama Office is a tenant, we open a night stall every year to promote interaction with local residents.



A member of "Hama Road Supporters", Tsugumi Ishii, Yokohama Second Private Marketing Group



Cleanup activities

Nihon Kohden Tomioka is engaged in various social contribution activities including cleanup of the streets and picking up fallen leaves around its three factory sites as volunteer initiatives. The cleanup activities are planned six times a year and performed using one hour before the start of work hours in the morning. We also participate in cleanup volunteer initiatives at the Tomioka Silk Mill, a world heritage site. Nihon Kohden received

words of appreciation such as: "It is really helpful for us, since all of our maintenance activities are performed manually, as we refrain from the use of herbicides in consideration of allergies." We also actively participate in regional events to encourage communication with local residents.

Environmental Volunteering Education for Local Elementary Schools in Tomioka City, Gunma Prefecture

We received a request from elementary schools to provide lectures on environmental volunteering as part of the environmental education targeting students from the fourth grade of elementary school. The Environmental Management Office of the Company conducted lectures to students at school morning assembly. We took the theme "What is the environment?" and focused on concepts such as water, trees, and electricity, and included a discussion of the local natural environment. From observing the testing of lake-water quality to inspecting water purification plants and other activities, we adhered to an education policy that cherishes interaction with nature from the perspective of ecological conservation. We are promoting engagement with the local community through collaborating in the education of strong healthy children with a rich sense of wonder and with a passion to learn that is motivated from within. This activity highlights our belief in the importance of being active in the local region with its rich natural environment.



Environmental Volunteering Education

Topics



With a sky clear of clouds, we enjoyed a wonderful moon-viewing

The "Starry Sky Gathering" at the Advanced Technology Center

In November 2017, we invited the residents of Tokorozawa City to a "Starry Sky Gathering" held on the rooftop of the Advanced Technology Center. The event fell precisely on "the 13th night in the lunar calendar, a night known for a beautiful full moon. To make it easy to view the moon, we provided a 70-inch display showing the moon as captured by a large telescope, along with astronomical telescopes and binoculars. The venue was decorated with various photos of astronomical bodies which made for a fun atmosphere, and the "Starry Sky Quiz" was also a great success.

The "Starry Sky Gathering" was a good opportunity to help local residents learn more about Nihon Kohden. In the future, we will continue to cooperate with the local residents and engage in various social contribution activities.

Achieving a Fulfilling Workplace

We believe that each employee demonstrating his/her skills and abilities will lead to company growth. Therefore, we strive to develop a workplace where diverse human resources can flourish.



Basic Approach

Strong growth and the development of each employee lead to corporate competitiveness. Nihon Kohden's basic policy on human resource development consists of four elements, i.e., i) autonomy, ii) professionalism, iii) leadership, and iv) global competency.

Human Resource Development Policy

- Strengthen the development of autonomous employees, professionals, and leaders, and accelerate the cultivation of employees who can be successful globally.
- Enhance the ability to develop employees in the workplace, bolster personal growth, and boost organizational strength by enhancing awareness of employee development on the part of all employees.

Through the program, we provide employees with opportunities for long-term study abroad at language schools, on-the-job training at overseas offices, practical training at overseas research institutions and companies, and study at overseas universities and research institutes.

Policy for Diversity Promotion Activities

By respecting diversity and creating a workplace environment in which each individual can demonstrate his/her full potential, we seek to improve job fulfillment, create new value, invigorate the organization, and enhance corporate value.



Education and Training Structure

Nihon Kohden aims to cultivate employees who can adapt globally. To realize that, we believe employees need to be: 1) Autonomous; 2) Professional; and 3) Leaders who can foster the development of their subordinates. We have worked to establish education and training systems and a personnel system designed to develop and strengthen employees equipped with these three qualities.

International Training Program

The International Training Program is a program designed to give employees the experience, knowledge, and adaptability they will need to be successful globally.

Mentor Program

We are implementing a mentoring system covering mainly newly appointed female managers. Corporate officers and female managers with extensive knowledge and industry experience act as mentors to newly appointed female managers and others to help them to resolve career development issues and support their personal growth. Through dialogue, we also support the broadening outlooks and the strengthening of internal networks, and seek to develop capabilities of judgment and leadership in female employees, while helping them to set ambitious goals.

Networking Events for Female Employees across Different Business Sites

To establish an employment environment that further facilitates the active involvement of women, we host networking events for female employees with the aim of formulating an in-house female network, follow-up support for female managers, and awareness-raising for the next generation.



Reforming Working Styles

Nihon Kohden is implementing Working Style Reforms to enable greater flexibility in work styles, improve the work-life balance of employees, and maximize results without relying on long working hours. Since 2017, we established the Work Style Reform Promotion Project and are examining, with our members from a range of workplaces, work improvement activities and the creation of working systems that are easy to work in. In 2018, we started a flextime system and work at home system. In addition, we introduced an annual paid leave system, where entitlements are based on units of time worked, to deliver a more flexible working style. By thoroughly enforcing days with fixed work departure times and encouraging employees to take annual leave with pay, we promote improved business efficiency aimed at a healthy work-life balance, encourage greater creativity, reduce working hours, and create more time for private activities. This allows employees to make more effective use of their time to

invest in themselves, engage in self-improvement, form personal networks, take care of their health, spend time with their families, and engage in interests or volunteer activities.

Kurumin Certification

Nihon Kohden promotes an improved environment to help employees strike a balance between work and child-rearing. As recognition of this, we obtained the "Kurumin" certification mark from the Ministry of Health, Labour and Welfare in March 2011 and renewed in 2016.



Programs to Support Work-life Balance

1 Childcare Leave

Leave Period: Until an employee's child reaches the age of two.

2 Family Care Leave

Leave Period: Up to two years of leave can be taken.

3 Reduced Working Hours

Details: Daily working hours can be reduced by up to one hour (this system is available when certain conditions are met while the child of an employee is an elementary school student or younger).

4 Shifted Working Hours

Details: The hours worked can be shifted by up to one hour without changing the daily working hours (this system is available when certain conditions are met while the child of an employee is an elementary school student or younger).

5 Work at Home System

Employees who are pregnant, or responsible for providing childcare or nursing care are able to work at home (subject to meeting certain criteria).

Voice



Witnessing Nihon Kohden's Global Healthcare Contributions through the International Training Program (Overseas Challenge Program)

Since joining Nihon Kohden, I have focused on implementing measures to strengthen governance in the domestic operations in Japan. To build a management system that can adapt to expansion of the Company's overseas business, I thought that it will be necessary in the future to shift our center of gravity toward overseas. For that reason, I applied for the International Training Program.

On the training program, I worked with local staff at multiple sales and production offices for several months. This made it possible to gain in intimate knowledge of different regional cultures, religions, and business practices, and I keenly felt the difficulties in facilitating smooth communication. Also, through contact with customers at distributor meetings and other experiences, it was reinforced in me that Nihon Kohden's mission is to provide better healthcare through our advanced technologies. This was a great opportunity and caused me to think deeply about what I can do as a member of the back-office department that does not have direct links to customers. I will focus on helping to enhance management efficiency in our overseas subsidiaries and strengthening corporate governance, as well as supporting our global business from the back-office department.

Topics



Seminar venue

Management Seminar to Uncover the Talents of Female Employees

In November 2017, we held our first trial Management Seminar to Uncover the Talents of Female Employees. The seminar targeted managers with female employees who have recently joined the Company, and participants from the Kansai and Tohoku regions participated in this seminar through a video conference system. In promoting the activities of female employees, the development of managers who can conduct follow-up activities for female employees is also required. The purpose of this seminar was to encourage managers to understand how to communicate with female employees and engage with them as superiors for building their career. There were many passionate voices that expressed the impressions of the seminar such as "The seminar is helpful as this is the first time for me to participate in training that aims to develop female employees" and "The seminar was a good opportunity to understand the female way of thinking and re-think methods of interacting with female employees." The Nihon Kohden Group will continue to deploy measures to promote diversity and aims to create a workplace where all employees can participate actively regardless of gender.

Enhancing Information Disclosure and Shareholder Return

Our management is highly transparent through appropriate information disclosure and we strive for stable long-term returns to shareholders.



■ Shareholder Returns Policy

Delivering shareholder returns is one of our most important management tasks. Our basic policy is to continually provide a stable long-term dividend to shareholders with a target consolidated dividend payout ratio of 30% or more, while securing necessary retained earnings for future growth in areas such as R&D investment, capital investment, M&A, and human resource development. Share buybacks are considered in a flexible manner, taking into account comprehensively the Company's future business developments, investment plans, retained earnings, and stock price level. The Company repurchased 500 thousand of its own shares in March 2018, and cancelled one million shares of treasury stock in May 2018.

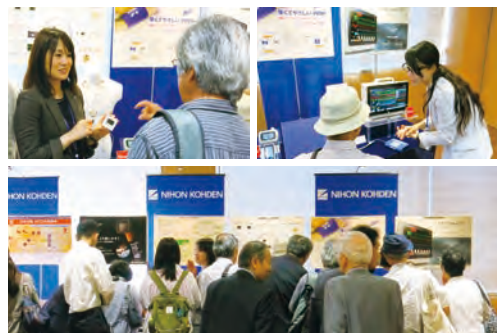
■ Information Disclosure Policy

The Nihon Kohden Corporate Charter of Conduct requires that we aim for highly transparent management by fair and proper disclosure of corporate information to shareholders and society. We disclose Nihon Kohden Group related information in a timely, appropriate, fair, and ease-to-understand manner. We seek to deepen understanding and trust from all stakeholders and gain appropriate evaluation of the Company. In April 2018, the Company revised its information disclosure rules and information disclosure policy to conform with the recent Fair Disclosure Rules legislation.

■ Shareholder and Investor Engagement

• General shareholders meeting

We hold our general shareholders meeting on a date that does not conflict with those of other companies to ensure that shareholders can attend. For foreign shareholders, convocation notices, notice of resolutions, and voting results are translated into English and posted on our website. We also hold exhibitions of Nihon Kohden medical devices to explain their features and other information to shareholders.



Showcases of our products to attending shareholders at the booth near the venue

• Earnings presentations

Nihon Kohden hosts earnings presentations (interim and full-year results) for securities analysts and institutional investors and organizes teleconferences (1st and 3rd quarters) where we discuss the Company's performance and strategy. Videos of the presentations, materials, and Q&A summaries are posted on our website and made available to all shareholders and investors.

• Company briefings and events for individual investors

We hold company briefings so individual investors across Japan can see our management strategy and business operations and extend their long-term support. We also have booths at investor relations events for individual investors, so the general public can see Nihon Kohden's products.

In March 2018, we conducted a tour of the Advanced Technology Center for shareholders. In this tour, we introduced testing facilities and some products. We also offered an opportunity to measure vital signs, and a seminar in the use of AEDs. The shareholders expressed their impressions with such comments as "Excellent environment," "I want Nihon Kohden to develop and manufacture products that meet the needs of users," and "I was pleased to see the lively atmosphere surrounding President Mr. Ogino and the employees."



A tour of the Advanced Technology Center

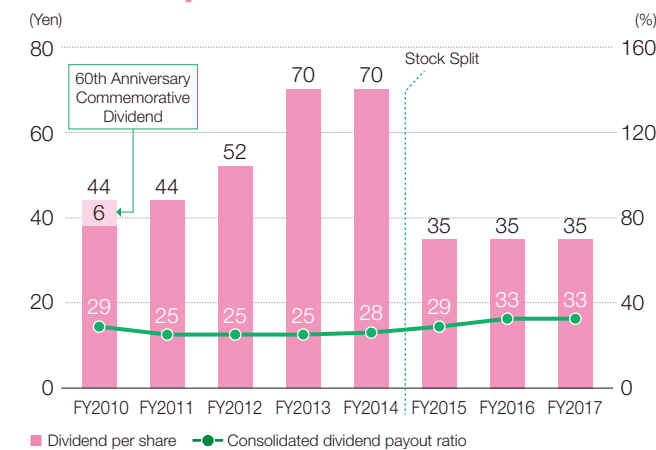
Company briefings at branch offices of securities companies and IR events in FY2017

April 2017	Tachikawa Branch, Daiwa Securities
July 2017	Yokosuka Branch, Daiwa Securities
September 2017	Machida Branch, SMBC Nikko Securities
September 2017	Kichijoji Branch, Daiwa Securities
October 2017	Hachioji Branch, Daiwa Securities
February 2018	Matsudo Branch, SMBC Nikko Securities
March 2018	Atsugi Branch, Daiwa Securities
March 2018	Toranomon Branch, SMBC Nikko Securities
March 2018	Tokyo Stock Exchange IR Festa 2018

• Investor relations page

Our website publishes key information needed by shareholders and investors, such as management policy, financial and performance highlights, dividend information, and various disclosure documents. Information about the Company's Long-term Vision, Mid-term Business Plan, business segments, and products is also published.

■ Change in Dividend per Share and Consolidated Dividend Payout Ratio



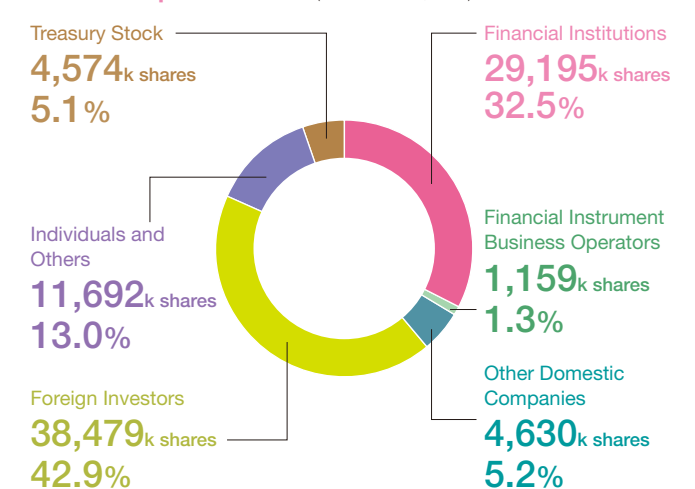
* Effective as of April 1, 2015, each share of common stock was split into two shares. Figures up to FY2014 list the actual dividend amounts paid before the stock split.

■ Change in Share Price



* Effective as of April 1, 2015, Nihon Kohden Corporation carried out a stock split, with each share of common stock split into two shares. For the above share prices, trading values before the stock split date have also been adjusted retroactively.

■ Ownership Breakdown (as of March 31, 2018)



■ Major Shareholders (as of March 31, 2018)

Shareholders	Number of Shares (Thousands of shares)	Shareholding Ratio (%)
State Street Bank and Trust Company 505223	9,832	10.95
The Master Trust Bank of Japan, Ltd. (trust account)	4,320	4.81
Saitama Resona Bank, Ltd.	4,193	4.67
Japan Trustee Service Bank, Ltd. (trust account)	3,326	3.70
Fujitsu Ltd.	1,857	2.07
Japan Trustee Service Bank, Ltd. (trust account 9)	1,645	1.83
RBC IST 15 PCT LENDING ACCOUNT - CLIENT ACCOUNT	1,641	1.82
State Street Bank and Trust Company 505103	1,636	1.82
Japan Trustee Service Bank, Ltd (trust account 5)	1,596	1.77
GOVERNMENT OF NORWAY	1,500	1.67

* The above list excludes Nihon Kohden's treasury stock of 4,574 thousand shares (5.09%).

Topics



In December 2017, Nihon Kohden was selected as an excellent corporate website in the comprehensive ranking for the "2017 All Japanese Listed Companies' Website Ranking Survey" by Nikko Investor Relations Co., Ltd. In this survey, Nikko Investor Relations evaluated 163 items from the following three points: understandability, usability/accessibility, and variety of information. The survey targeted the websites of all 3,713 listed companies and was announced as a ranking.

Nihon Kohden will continue to enhance the Company IR site and work to improve IR activities by disclosing timely and easy-to-understand information to shareholders and investors.

Environmental Philosophy and Policy

We strive to realize our Environmental Philosophy through our business activities and the actions of our employees.



Environmental Philosophy

In its business activities and the actions of its employees, Nihon Kohden works towards the conservation and qualitative improvement of the earth's priceless environment so that all people can enjoy a healthy environment.

Established: September 1, 2015

Environmental Policy

Based on its Management Philosophy and the Environmental Philosophy, Nihon Kohden will continuously improve its environmental management systems to enhance its environmental performance.

1. Provide environmentally friendly products

In carrying out development, production, sales, maintenance and support services for electronic medical devices, we provide environmentally friendly products and services. We contribute to the reduction of greenhouse gas emissions and the sustainable use of limited resources by realizing energy and resource conservation and elimination of hazardous substances throughout our product life cycle.

2. Promote energy conservation and reduce waste in business activities

In cooperation with all of our business activities and the supply chain, we aim at energy conservation, waste reduction through implementation of the 3 Rs*, the reduction of greenhouse gas emissions in the mid- to long-term, and the prevention of environmental pollution through the continuous introduction of low-carbon and high-efficiency technologies.

3. Adhere to environment-related laws, regulations, and agreements

In all business activities as a global company, we adhere to all Japanese and overseas environment-related laws, regulations, and ordinances, as well as all agreements we have entered into, and meet expectations from stakeholders to carry out our environmental responsibilities through actions to respond to environmental issues such as climate change, the protection of water resources, and the conservation of biodiversity.

4. Promote environmental education

In regard to environmental issues, Nihon Kohden provides appropriate education and awareness-raising activities. We also promote education in order to lead enhancement of individual productivity to environmental improvement activities.

Established: April 1, 2017

*3 Rs: Reduce, reuse, and recycle

Mid- to Long-term Environmental Targets

Environmental Target for FY2050	1. We aim to reduce greenhouse gas emissions throughout the product life cycle by 80% from the level of FY2013 by providing environmentally friendly products and cooperating with the supply chain.
Environmental Target for FY2030	1. We aim to reduce greenhouse gas emissions throughout the product life cycle by 26% from the level of FY2013 by providing environmentally friendly products and cooperating with the supply chain.
Environmental Target for FY2020	1. We aim to reduce greenhouse gas emissions throughout the product life cycle by 12% from the level of FY2013 by providing environmentally friendly products and cooperating with the supply chain.

Established: April 1, 2017

Environmental Targets for FY2018

Environmental Targets for FY2018	1. Enhance production efficiency and reduce environmental impact by improving operational efficiency 2. Reduce environmental impact and prevent pollution through our business activities 3. Continuously reduce energy consumption and CO ₂ emissions to realize a decarbonized society through our business activities 4. Contribute to creating a recycling-oriented society
----------------------------------	---

Established: April 1, 2018

Certifications and Signed Commitments

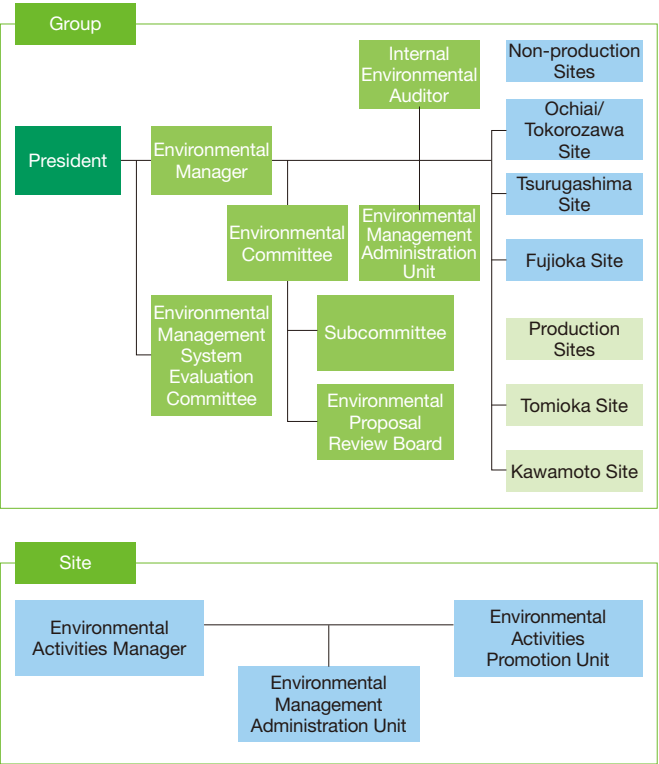
ISO14001

The Tomioka Factory obtained ISO14001:1996 certification in October 2001, and underwent a transitional review for ISO14001:2004 in October 2005. Our head office and production department were integrated and registered for joint certification in January 2007. Certification renewal inspections were completed in January 2010, January 2013, and

January 2016. Upon relocation to the Tokorozawa Office, we underwent an expansion inspection and completed registration in 2016. In 2017, we completed transition to ISO14001:2015, and underwent expansion inspections at the Advanced Technology Center and the Tomioka Second Factory. Currently, we conduct business activities at five sites, i.e., Ochiai/Tokorozawa Site: head office and development department; Tsurugashima Site: sales and shipping of ME consumables; Kawamoto Site: development of ME consumables and safety/reliability testing of ME devices; Fujioka Site: repair and maintenance; and Tomioka Site: manufacturing and shipping.



Environmental Management System (EMS)



Green Procurement

As part of our efforts to provide eco-conscious products to the market, we promote procurement of parts, materials, and finished products which have a low environmental impact according to the following policy (green procurement).

1. Prioritize purchasing from suppliers conducting ambitious environmental conservation activities while also excelling in areas that include quality, pricing, delivery times, and services
2. Prioritize the purchase of toxic substance-free products

Requests to our suppliers

To uphold our green procurement policy, the Nihon Kohden Group asks its suppliers to practice environmental conservation in their business activities and supply products, parts, and materials that have a low environmental impact. We also ask them to provide an RoHS Declaration of Conformity and participate in various surveys.

Supplier-side environmental conservation

We ask all our suppliers to take measures for effective environmental conservation such as establishing an environmental policy, maintaining systems, and implementing education.

Supplying low environmental impact products, parts, and materials

To manage the chemicals that are used in our procured products, we request the following.

1. Create a control system for chemical substances used in products
2. Reduce toxic substances and implement green procurement of parts and materials that have low environmental impact

Chemical substance content inspection

To evaluate the chemical substances in procured goods, we request all our suppliers respond to investigations of chemical substances in the goods. We require suppliers to provide certificates of compliance for materials used in RoHS compliant products.

Environmental Philosophy and Policy

Environmentally Friendly Products

Nihon Kohden undertakes the development of environmentally friendly products as part of its efforts to contribute to society through its business activities. Nihon Kohden launched five environmentally friendly products (items) in FY2017.



Targets and Results of the Environmental Management Program

Environmental Target	FY2017 Target	Result
1. Reduce environmental impact and prevent pollution in business activities	<ul style="list-style-type: none">Reduce CO₂ emissions throughout the product life cycle by 8% by providing environmentally friendly productsPromote the development of environmentally friendly products, and reduce the environmental impact of all newly developed products by an average of 5% compared with existing productsReduce the first-month defect rate by 3% on average compared with FY2016Keep the repair failure rate for repaired goods to 0.20% or lessSet specific numerical targets individually, and raise production efficiency and operational efficiency	Attainment Rate: ✓✓ Activities were implemented in a largely smooth fashion at each site, and we managed to maintain reductions in environmental impact.
2. Continuously reduce energy consumption and CO ₂ emissions to realize a low-carbon society through our business activities	<ul style="list-style-type: none">Improve energy use by 1% on a per unit basisImprove reduction in CO₂ output by 1% on a per unit basis	Attainment Rate: ✓✓✓ The target for the reduction of energy consumption was attained both per unit and on a volume basis. By switching to PPS (Power Producer & Supplier), we were able to reduce CO ₂ emissions by 2.8%.
3. Contribute to a recycling-oriented society	<ul style="list-style-type: none">Promote Reduction/Reuse/Recycling of waste, and maintain the level of total waste discharge at that of FY2016	Attainment Rate: ✓✓✓

* 5 sites obtained ISO14001 certification Attainment Rates: ✓✓✓ 100% attainment ✓✓ At least 80% attainment ✓ Less than 80% attainment

In-House Environmental Awareness Training Program

Introductory Training	This program is held for all employees upon joining the Company. This program facilitates their awareness and understanding of general environmental issues, regulatory and legal compliance, ISO14001 mechanisms, and the initiatives pursued by Nihon Kohden, as well as our Environmental Philosophy and Environmental Policy, details of targets, specific examples, and the need for full participation of all employees.
Training in Alternate Years	Training is conducted for all employees every other year. Employees learn about Environmental Policy, goals, and targets, including changes to the situation around them, and gain an understanding of the activities underway in each division.
Awareness-Raising Activities	In FY2016, we established an annual Environment Day on which we make known to all employees the need for environmental activities.

CSM-1501/1502, Bedside Monitor

This product is a mid-end bedside monitor. Inheriting its operating functions from high-end monitors, this bedside monitor not only provides real-time data and waveforms but also can show past data and waveforms on a review screen with a simple swipe of the finger. The CSM-1502 uses a direct bonding LCD that provides excellent visibility even when the screen is viewed from an angle and includes enhanced touch panel input operability.

Lead-free solder is adopted to comply with the RoHS Directive and recyclable paper was adopted as packaging material.



CSM-1501, Bedside monitor



CSM-1502, Bedside monitor

RAC-5000 series, Holter ECG Monitor
NC-41 Series, Disposable Electrodes Vitrode

This product is a lightweight and compact Holter ECG monitor. It is gentle to patients as they can use it while taking a daily bath*.

Each disposable electrode is temporarily attachable. Medical staff can correct the attachment position by checking the waveform on the device or tablet, as the attachment position is indicated on the surface of the electrodes in an easy-to-understand manner by color. The test data is recorded in the SD memory card and backed up to the built-in memory of the device at the same time. If there is a problem with the SD memory card, the backup data can be retrieved, reproduced, and analyzed. This product used lead-free solder and does not use any harmful substances.

* Can be used while taking a bath in hot water up to a maximum of 45°C for 30 minutes



ZS-640P, Transmitter

The ZS-640P uses Nihon Kohden's unique blood pressure measurement algorithm iNIBP.

With a blood pressure cuff that does not tighten too much, this product can measure blood pressure in a short time and thereby reduces the burden on patients. For SpO₂ measurement, we adopted the NPi algorithm which employs strengthened measures against artifacts (noise), delivering a more stable monitoring system.

As a means of promoting energy conservation, this product can be used with three AA batteries for more than two days*. Lead-free solder is adopted to comply with the RoHS Directive and recyclable paper was adopted as packaging material.

* In line with the Company's regulatory requirements



WEE-1200, aireeg Wireless Input Unit

The WEE-1200, aireeg wireless input unit is a portable transmitter for electroencephalographs when conducting general EEG tests and long-term EEG monitoring for epilepsy. This product realizes a compact and lightweight design of 715g (including transmitter, battery pack, mini flat electrode junction box). If the radio signal is interrupted during use, the test data is stored in the built-in memory, and when the network connection is restored, the unsent data is automatically transmitted to the EEG's main unit.

Lead-free solder is adopted to comply with the RoHS Directive.



AF-101P, Neuromuscular Monitoring Module

The AF-101P is a module that connects to Nihon Kohden's bedside monitors. This product contributes to patient safety by visually and quantitatively assessing the degree of neuromuscular paralysis during anesthesia. The module can measure data simply by connecting the cable to the multi connector of our bedside monitor and attaching each sensor to the patient. The module's main unit fits into the palm of an operator's hand making one-handed operation an easy task. The positioning of the four commonly used operation buttons make this device simple to operate.

Lead-free solder is adopted to comply with the RoHS Directive.



Management's Discussion and Analysis

Market Environment

In Japan, the Japanese government worked on healthcare system reform under its 2025 future vision of medical/long-term care services. The medical equipment companies were required to provide solutions that contribute to improving the quality and efficiency of medical care and supporting the establishment of integrated community care systems. Internationally, overall demand for medical equipment has remained steady, although there was uncertainty regarding policy trends in the U.S. and Europe.

Review of Operations

Under these circumstances, Nihon Kohden started its three-year Mid-term Business Plan, TRANSFORM 2020, with the aim of transforming its operations to achieve a highly profitable structure by creating high customer value and improving productivity within the organization. Under this plan, the Company implemented key strategies such as strengthening business expansion by region and achieving further growth in its core businesses.

The Company introduced new products to expand its product portfolio for the clinic market. A mid-end bedside monitor for the acute care hospital market was also launched. Nihon Kohden also strengthened its business structure by absorbing its domestic sales subsidiaries and acquiring a video laryngoscope business.

As a result, overall sales during the term under review increased 4.8% over FY2016 to ¥174,249 million.

Sales by Region

Japan: Sales in the university hospital market increased favorably as the Company received orders related to the replacement of diagnostic information systems and clinical information systems. Sales of AEDs increased favorably in the PAD (public access defibrillation) market, and sales in the private hospital market showed stable growth. Sales in the public hospital market remained flat, while sales in the clinic market decreased. As a result, domestic sales increased 2.7% over FY2016 to ¥128,144 million.

International: Sales in the Americas, Europe, and Asia increased favorably, supported by strong sales of patient monitors, defibrillators, and AEDs. Sales in Other decreased compared with the previous fiscal year when a large order in Egypt was recorded. As a result, international sales increased 11.0% over FY2016 to ¥46,105 million.

Cost of Sales, SGA Expenses, and Operating Income

Cost of sales was ¥91,489 million. The gross profit margin decreased 10 basis points to 47.5%. This was due to reduced pricing in selected deals, although the sales ratio of in-house products increased. Another reason was to reduce pricing of some specific products in order to increase sales of consumables. Gross profit on sales increased 4.5% over FY2016 to ¥82,759 million.

Selling, general and administrative expenses increased mainly due to the enhancement of human resources and R&D investments. The ratio of SGA expenses to sales decreased 20 basis points, to 39.2%. Research and development costs increased by ¥759 million to ¥7,226 million (4.1% of sales).

As a result, operating income increased 6.9% to ¥14,517 million.

Income Attributable to Owners of Parent

Income attributable to owners of parent increased 0.1% to ¥9,154 million as there was an impact from an increase in foreign exchange losses and the Company posted expenses associated with the transfer to a defined contribution pension plan and surcharges. There was also an impact from the increase of income taxes due to the tax reform in the U.S.

Assets, Liabilities, and Equity

Assets

At the end of FY2017, total assets increased ¥5,134 million from the previous fiscal year-end. Current assets were up ¥5,366 million from the previous year-end because of an increase in short-term investments, and trade notes and accounts receivable. Non-current assets decreased ¥231 million from the previous fiscal year-end due to a decrease in intangible assets.

Liabilities and Equity

Total liabilities at the end of FY2017 decreased ¥333 million from the end of the previous fiscal year because of a decrease in trade notes and accounts payable. Net assets increased ¥5,468 million from the previous fiscal year-end because of the recording of income attributable to owners of parent. The shareholders' equity ratio increased to 69.2%, from 68.0% at the end of the previous fiscal year.

Cash Flows

Net cash provided by operating activities during the year under review decreased ¥512 million to ¥10,843 million. This includes ¥13,954 million of income before income taxes and non-controlling interests, ¥3,338 million of depreciation and amortization, and ¥3,983 million of income taxes paid.

Net cash used in investing activities decreased ¥2,998 million to ¥3,346 million. We used ¥2,901 million for capital expenditures.

Net cash used in financing activities increased ¥1,110 million to ¥4,628 million. We paid ¥2,996 million for stockholders dividends and ¥1,471 million for purchasing treasury stock.

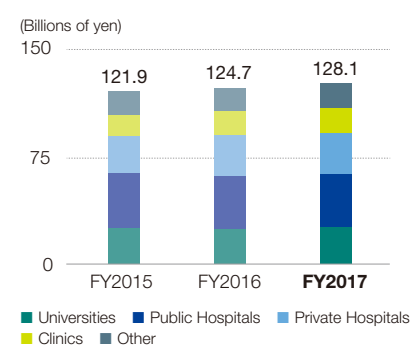
As a result, cash and cash equivalents as of March 31, 2018 increased ¥2,724 million to ¥31,285 million.

ROE

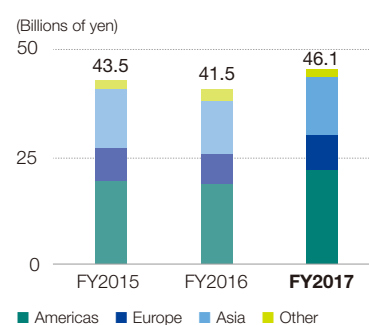
ROE decreased to 8.6% in FY2017, from 9.1% in FY2016 because the ratio of net income to sales decreased as a result of the increase in income taxes due to the tax reform in the U.S.

In order to achieve an ROE of 12.0%, Nihon Kohden will focus on increasing sales and profits by implementing its TRANSFORM 2020 plan. We will also improve efficiency of assets by measures such as reduction of inventories. In order to enhance the shareholder return and improve capital efficiency, we repurchased 500 thousand of our own shares in March 2018 and cancelled one million shares of treasury stock in May 2018.

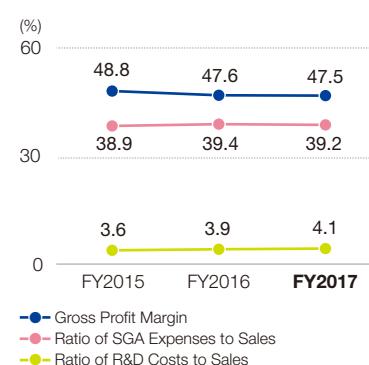
Domestic Sales by Market



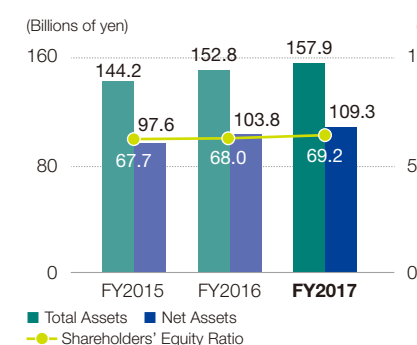
International Sales by Region



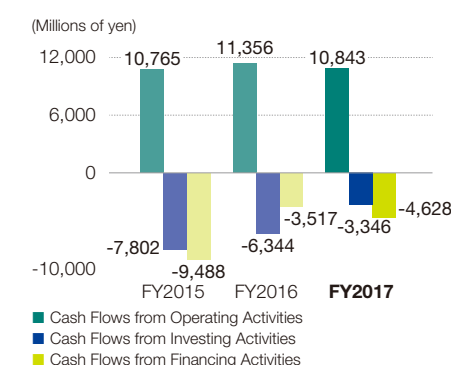
Percentage of Total Sales



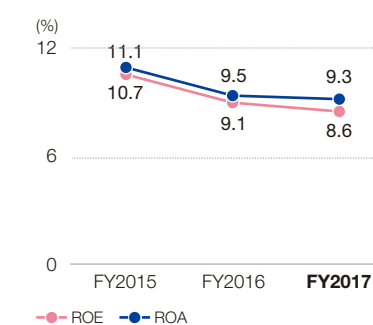
Total Assets/Net Assets



Cash Flows



ROE/ROA



Company Information

Company Overview (as of March 31, 2018)

Common Name	NIHON KOHDEN
Official Name	NIHON KOHDEN CORPORATION
Incorporated	August 7, 1951
Capital Stock	¥7,544 million
Net Sales	(Consolidated) ¥174.2 billion (fiscal year ended March 31, 2018)
Type of Business	Development, production, and sales of medical electronic devices
Employees	(Consolidated) 5,031 persons

Stock Overview (as of March 31, 2018)

Number of Shares Authorized	197,972,000 shares
Number of Shares Issued	89,730,980 shares
Number of Shareholders	6,558 persons

Subsidiaries: 29 companies (as of June 30, 2018)

Sales and Promotion

Nihon Kohden America, Inc.
Nihon Kohden Mexico S.A. de C.V.
Nihon Kohden Latin America S.A.S.
Nihon Kohden Do Brasil Ltda.
Nihon Kohden Europe GmbH
Nihon Kohden Deutschland GmbH
Nihon Kohden France Sarl
Nihon Kohden Iberica S.L.
Nihon Kohden Italia S.r.l.
Nihon Kohden UK Ltd.
Nihon Kohden Singapore Pte Ltd.
NKS Bangkok Co., Ltd.
Nihon Kohden Middle East FZE
Nihon Kohden Korea, Inc.

Defibtech, LLC
Nihon Kohden India Pvt. Ltd.
Nihon Kohden Malaysia Sdn. Bhd.
Nihon Kohden Firenze S.r.l.

Development of Medical Electronic Equipment and Software

NKUS Lab
Neurotronics, Inc.
Nihon Kohden Innovation Center, Inc.
Nihon Kohden OrangeMed, Inc.

Group General Affairs and Staffing

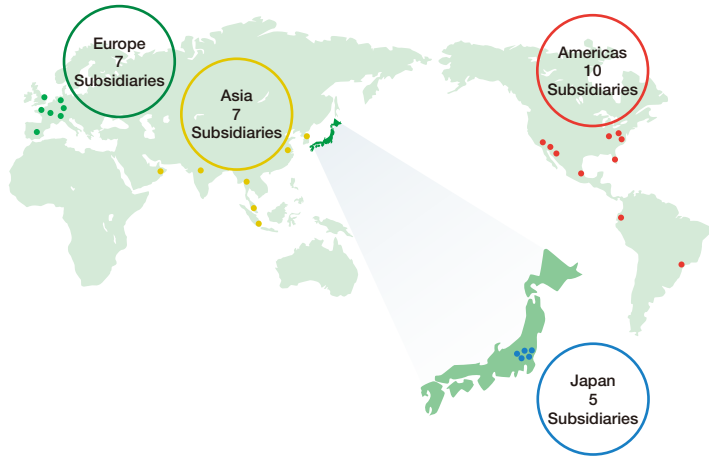
E-Staff Corporation
E-Staff Insurance Services Corporation

Other

RESUSCITATION SOLUTION, INC.

Development, Manufacturing, Sales, and Sales Promotion

Nihon Kohden Tomioka Corporation
Nippon Bio-Test Laboratories Inc.
Beneficks Corporation
Shanghai Kohden Medical Electronic Instrument Corp.



Editorial Policy

Nihon Kohden issues the integrated report in order to communicate to stakeholders in a reader friendly format the Company's approach to corporate social responsibility (CSR) through its business activities and its actions intended to contribute to a sustainable society. The integrated report is edited taking the following matters into consideration.

Scope of Report

Organization: This report covers 30 companies of the Nihon Kohden Group, i.e., Nihon Kohden Corporation and its 29 consolidated subsidiaries (as of June 30, 2018).

Period: from April 1, 2017 to March 31, 2018*

* Partly including information on our activities performed before or after the aforementioned period

Nihon Kohden Website

Global Site Top

https://www.nihonkohden.com/index.html



IR Information

https://www.nihonkohden.com/ir/index.html



Integrated Reports

https://www.nihonkohden.com/ir/library/ar.html

CSR Data

https://www.nihonkohden.com/sustainability/csr_data.html

Disclaimer

This report contains not only past or present facts related to Nihon Kohden, but also forward-looking statements including plans and forecasts as of the time of publication. Forward-looking statements are assumptions or determinations based on information available at the time such statements were made. Due to changes in various conditions, the results of future business activities or events may differ from those described in such statements. We appreciate your kind understanding.

Publication Date

September 2018
(next publication: expected to be issued in September 2019)

Published by

Corporate Strategy Department,
Nihon Kohden Corporation



NIHON KOHDEN CORPORATION

1-31-4 Nishiochiai, Shinjuku-ku, Tokyo 161-8560, Japan
Phone +81(3)5996-8000
<https://www.nihonkohden.com/>

